S. Hrg. 98-1116

ALTERNATIVES TO TAX ON THE USE OF HEAVY TRUCKS

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

FEBRUARY 9, 1984

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE
35-748 O WASHINGTON : 1984

5321-24

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ALTERNATIVES TO TAX ON THE USE OF HEAVY TRUCKS

THURSDAY, FEBRUARY 9, 1984

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The committee met, pursuant to notice, at 2:01 p.m. in room SD-215, Dirksen Senate Office Building, Hon. Robert Dole (chairman) presiding.

Present: Senators Dole, Packwood, Roth, Chafee, Wallop, Durenberger, Symms, Grassley, Long, Boren, and Baucus.

[The press release announcing the hearing and the prepared statements of Senators Dole, Wallop, Grassley, Boren and the description of the alternatives to the tax on use of heavy motor vehicles by the Joint Committees on Taxation follow:]

[Press release No. 84-114, February 1, 1984]

SENATE FINANCE COMMITTEE SETS HEARINGS ON ALTERNATIVES TO TAX ON THE USE OF HEAVY TRUCKS

Senator Robert Dole, Chairman of the Senate Committee on Finance, announced today that the Committee will hold a hearing on Thursday, February 9, 1984 on alternatives to the tax on the use of heavy trucks.

The hearing will begin at 2:00 p.m. in Room SD-215 of the Dirksen Senate Office Building.

In announcing the hearing, Senator Dole noted that the Surface Transportation Assistance Act of 1982 created a comprehensive transportation program to resurface and rehabilitate the Nation's roads and bridges, complete the Interstate Highway System and improve public transit facilities. "When the Act was considered in the Committee and on the Senate floor, many of us agreed that heavy trucks should pay a greater relative share of highway repair costs but were concerned about the ability of the trucking industry to absorb substantial increases. Others argued that the increases, such as in the heavy vehicle use taxes, were necessary so that the burden of highway and bridge repair and reconstruction is equitably distributed among the various highway users," Dole said. "Of equal importance, however, is the structure of the tax itself. The debate concerning how the tax should be designed to distribute the impact fairly on the users of heavy trucks has continued since enactment of the bill in 1982, and it is appropriate for a hearing at this time to provide a formal forum for discussion," Dole observed.

Since the enactment of the Surface Transportation Assistance Act, the Department of Transportation has completed a study on alternatives to the heavy vehicle use tax and the General Accounting Office will soon have a study on the effect on increased highway excise taxes on the various segments of the trucking industry.

Specifically, Senator Dole noted that he anticipated that the hearing would focus on the Department of Transportation's study and diesel differential tax alternatives that are revenue neutral and that do not unfairly shift the cost burden of highway and bridge repair and reconstruction to other highway users.

STATEMENT OF SENATOR DOLE

The Nation's economy has come to rely more and more on the efficient movement of people and freight. The highway system has provided the essential links in the transportation infrastructure as well as a major source of employment for U.S. workers. During 1982 this Nation's vast interstate highway system was threatened by problems arising primarily from the age of the system. The need for renewed investment in the highway system was critical. Some of those problems were: four thousand miles of the interstate system pavement, nearly ten percent of the total system must be resurfaced or replaced now or in the very near future. Fifty percent of the primary system will reach the end of its designed life during the 1980's. Forty percent of our bridges are more than forty years old, and the design life of most bridges is fifty years.

Congress responded to the critical needs of our highway system by enacting major amendments to the highway excise taxes which are used to fund highway related projects. In general, the Highway Revenue Act of 1982 restructured the highway excise taxes to increase trust fund receipts, eliminate minor sources of revenue, and redistribute the highway excise tax liability among the various users of the highways so that their tax payments are more nearly proportionate to the public costs allocable to their use of the highway system.

When the highway revenue act of 1982 was considered in the Finance Committee and on the Senate floor, many of us agreed that heavy trucks should pay a greater relative share of highway costs. In addition, we were concerned about distributing the burden of highway costs equitably among the various highway users. In an effort to satisfy these competing concerns, I proposed a diesel differential and a significant reduction in the proposed heavy vehicle use taxes. While several groups now support the concept of a diesel differential, at that time, every major representative of the trucking industry strongly opposed a diesel differential. In fact, the representatives of the trucking industry offered no support for a diesel differential which I wanted to discuss during the Finance Committee consideration of the Highway Revenue Act of 1982.

In an effort to obtain more information, concerning alternatives to the heavy truck use tax, the Highway Revenue Act of 1982 directed the Department of Transportation in consultation with the Department of Treasury to study alternatives to the heavy vehicle use tax and the collection and enforcement of the use tax and its alternatives. In addition, I directed the General Accounting Office to study the impact of the increased highwasy excise taxes on the trucking industry. The Department of Transportation's study was delivered to the Finance Committee in January 1984 and the General Accounting Office will testify on the results of their study today.

At the outset I think we can all agree that one primary goal of any alternative tax should be revenue neutrality in terms of funding the highway trust fund. In addition, I am hopeful that today's witnesses will not only focus on tax methods that vary with highway use but will also discuss other objectives that must be addressed in determining alternatives to the heavy vehicle use tax. These include administrative feasibility, high levels of compliance, and easy enforcement and the distribution of highway costs among the various users of the highways. Although we all can agree there is a need to address the problem of the increases in the heavy vehicle use tax, I hope today's witnesses will also focus on these other, often competing objectives. I look forward to hearing the views of today's witnesses and I am hopeful that a compromise can be reached which will address the concerns of the Department of Transportation and the concerns of the trucking industry.

STATEMENT OF SENATOR WALLOP

Mr. Chairman, I appreciate the opportunity to make a few remarks at the outset of this hearing. Today, we are here to seek out an alternative, a compromise, to the onerous heavy truck taxes which were hammered into the trucking industry when the Surface Transportation Assistance Act passed in December, 1982. We're looking for a workable alternative—an equitable solution—to enhance rather than hinder the financial soundness of the trucking industry. We're looking for an alternative that is revenue neutral as well. We are also here because of the efforts of the trucking industry, the Administration, the Secretary of Transportation, Senator Dole, Senator Abdnor, Senator Symms and many other senators as well as to get this issue resolved before the STAA heavy truck taxes become effective this July 1.

Looking back, when the 97th Congress completed its work on STAA during the final hours of the lame duck session, everyone knew we had generated more revenue to sink into our country's battered highways. We knew we created some jobs when unemployment was 10.8%. On the other hand, we also knew that Congress had raised gas taxes for the American trucking industry, the American family, business and factory. We knew Christmas was just days away, and something had to be passed if members of Congress were to make it home for the holidays. I voted against this measure in Committee and on the Senate floor not because I was against improving our nation's highways, or finding work for the unemployed, but because the bill slapped the trucking industry with some hefty tax increases. Taxes that would increase 800% over the long haul regardless of miles traveled or highways used. To compound matters, this increase was strapped to the back of an industry which was operating, at that time, at only 40% of its all-time peak volume.

It did not seem right to me then, and it does not seem right to me now. It's much like the old Wyoming cowboy who was on his way to a roundup when something stampeded his string of horses and his pack horse which carried his bedroll with all of his earthly belongings. When he saw what was happening, he cried: "there goes a savings of a lifetime."

The trucker, like the cowboy, has a good chunk of his investment tied up in his truck. But, unlike the cowboy looking at his pack horse gallop down the road, the trucker, under STAA, could look at his truck and say: "there sits a savings of a lifetime."

Whether his rig touched pavement or not, the trucker was taxed anyway under STAA starting at a maximum $1,600 this year and rising to a maximum of $1,900 in 1988. In a nutshell, the industry was handed a system based on a healthy-sized federal property tax, rather than a pay-as-you-go approach.

That is why I introduced S. 1475, the Highway Use Tax Equalization Act of 1983, last June. This bill proposed a straight 5 cent diesel differential and would have eliminated the heavy truck taxes imposed by STAA. It embodied the pay-as-you-go concept on one hand, but on the other hand it was not a revenue neutral bill. I knew that, and the American Trucking Association knew that. But, I also realized that if the truckers were going to get a spare deal, a nod from the Administration and a go ahead from Chairman Dole, we would have to make adjustments, we would have to engage in some give and take. I do believe an equitable solution can be reached, and I do think a springboard is the Department of Transportation's Study on Alternatives to Tax on Use of Heavy Trucks. Quite frankly, I was expecting the worst before I saw this study, but was pleased to find that DOT did not specifically support one alternative over another. It left room for negotiations. I do hope we can find one that is acceptable, revenue neutral and equitable to all interests and before the critical date of July 1.

STATEMENT OF SENATOR GRASSLEY

Mr. Chairman. Thank you for scheduling this hearing to enable us to review the findings of GAO and the Department of Transportation before the heavy vehicle use tax becomes effective. Many of my constituents in the trucking industry argued that the tax would drive them out of business. At the time the Surface Transportation Assistance Act of 1982 was enacted, it was very difficult to discern whose revenue estimates were accurate. It is very helpful to reflect upon our actions after these two agencies have carefully studied the tax and the industry has thoroughly examined its impact. All of this testimony will be beneficial to Congress in reviewing this levy.

It is my understanding that the General Accounting Office has almost completed their report on the incidence of this new tax. They have focused their analysis on the economic effects of this tax on different segments of the trucking industry. GAO notes that representatives of the trucking industry view the tax as inequitable because it takes all trucks of the same weight class equally, irrespective of how many miles they travel. Furthermore, truckers are concerned that the tax must be paid in a lump sum quarterly, causing them cash flow problems. With the enactment of longer length and greater weight limits, truckers who are able to purchase new equipment will realize substantial productivity gains.

GAO found that despite the productivity gains, some carriers would be better off with the enactment of the truck tax while others would be substantially disadvantaged. Truckers who consolidate and transport many small shipments will be substantially better off under the Act. Since they haul almost ½ of all interstate ton-miles the physical size of their trucks has been a substantial constraint. As these carriers replace their fleets, they will increase their cargo capacity 49%. This will reduce the number of trips needed to haul the same amount of cargo and substantially reduce their costs.

Carriers who transport large shipments directly between two points account for less than 10% of the interstate ton-miles traveled. Since many of these carriers aren't transporting full loads, larger trucks do not present a substantial productivity gain. Consequently, as the tax phases in, their costs will increase substantially. GAO concludes that this cost disadvantage will force many marginally profitable point to point carriers out of the business. Many of these carriers use heavy trucks to haul low value freight, such as agricultural products, coal or steel. The report notes that those truckers in direct competition with rail lines will be particularly disadvantaged.

The short haul carriers who use light trucks will face a very small tax increase under the act, in fact those trucks weighing less than 33,000 pounds will see a net tax decrease.

The GAO just noted that the effects on owner operators will be the harshest. Since owner operators typically use heavy vehicles intensively from point to point, their costs will not be mitgated by the increased weight and length standards. Since, they are not able to offset the tax increase by increasing productivity with the use of larger trucks, they must raise their rates and face stiff cost competition from the larger carriers.

The Department of Transportation study shows the enactment of a 5¢ diesel differential will result in $2.2 billion shortfall by 1988. DOT also points out that the diesel differential will increase the revenue to cost ratio for smaller trucks 8-13% and will drop the revenue to cost ratio for larger trucks 6%. In response to Congressional interest, DOT also costs our various proposals which include a portion of the heavy vehicle use tax with a diesel differential and a ton-mile tax. DOT's stated goals to achieve the same revenue level as the Surface Transportation Assistance Act and to maintain equity among trucks of differing weights.

While I feel the goals of weight equity and revenue are important, I am concerned that DOT has not considered other significant goals. All heavy vehicles are not the same. As GAO points out, many truckload haulers cannot use the productivity benefits granted under the Act. They also travel fewer miles than the less-than-truckload haulers, so the heavy vehicle use tax represents a greater cost per mile to that segment of the industry. DOT has not focused on the hardship caused by the terms of payment of the tax. Quarterly lump sum payments are difficult for independent owner operators to save.

Nor has the Department considered the equity of imposing the same tax on low mileage vehicles of the same weight class as their high mileage competitors.

Iowa has many products which cannot be consumed in the locality where they are produced. [Most of our products are shipped by truckload haulers, many of whom are independent owner operators. As GAO points out, this is the industry segment most harmed by the Surface Transportation Assistance Act. I would urge the Department of Transportation to expand their goals to consider and give careful consideration to the impact of their study on truckload haulers.] My primary consideration is to be certain that Iowa's transportation network is not taxed out of existence.

STATEMENT OF SENATOR BOREN

Mr. Chairman, I want to take this opportuntiy to commend Secretary Dole of the outstanding preparation of this report to consider alternatives to the heavy vehicle use tax that is scheduled to go into effect this coming July. I agree that whatever approach this Committee takes, the result should be revenue neutral. We must raise sufficient funds to repair and restore our nations' highways.

However, I continue to be concerned about the inequities that will be forced upon many of our truckers by this over 800 percent increase in the heavy vehicle use tax. For this reason, I urged, and the Committee adopted, a delay in the effective date for the implementation of this tax. Such a delay was necessary for this Committee to consider alternatives to the heavy vehicle use tax.

I have been pleased to join with Senator Wallop and others to introduce S. 1475, the so-called "Diesel Differential" bill. The legislation which we introduced would replace the entire user fee with an increase in the diesel fuel tax imposed on trucks and phased in over a two year period. This new 5¢ diesel differential would not apply to diesel vehicles under 10,000 pounds.

It is our intent that this legislation raise approximately the same revenue that would have been generated under the user fee schedule presently in place under the Surface Transportation Act of 1982, but in a more equitable manner and in the true nature of a "pay-as-you-go" basis.

I pledge my efforts to work closely with all those involved to reach a more equitable basis for raising the needed revenues.

BACKGROUND AND ALTERNATIVES RELATING TO THE TAX ON USE OF HEAVY MOTOR VEHICLES

SCHEDULED FOR A HEARING

BEFORE THE

SENATE COMMITTEE ON FINANCE

ON FEBRUARY 9, 1984

PREPARED BY THE STAFF

OF THE

JOINT COMMITTEE ON TAXATION

I. SUMMARY

Under present law, excise taxes are imposed on the sale of highway motor fuels (including diesel fuel), heavy highway tires, and heavy trucks and trailers. An excise tax also is imposed annually on the use of heavy vehicles on the public highways. Revenue from these highway excise taxes is dedicated to the Highway Trust Fund. The diesel fuel tax, a retail tax, is 9 cents per gallon. The use tax is currently $3 per 1,000 pounds for vehicles over 26,000 pounds. On July 1, 1984, a graduated use tax rate is scheduled to replace the current flat rate, generally resulting in a higher use tax for heavier trucks.

Major amendments to the highway excise taxes were last made in the Highway Revenue Act of 1982. In general, the Act restructured these taxes to increase trust fund receipts, eliminate minor sources of revenue, and redistribute the highway excise tax liability among truck users so that their tax payments are more nearly proportionate to public costs allocable to their use of the highway system. The Act also directed the Secretary of Transportation to study alternatives and improvements to the use tax and to report to the tax-writing committees of Congress. The study was delivered in January 1984.

The Department's report does not recommend a specific alternative to the use tax provided under present law. The report evaluates various alternatives, which include weight-distance taxes and diesel differentials, in terms of revenue yield, distribution of highway excise tax liability among highway users, and effects on tax administration and compliance.

II. PRESENT LAW AND BACKGROUND

A. Highway Trust Fund Taxes

Trust fund tax rates

Most Federal spending on highways is financed by excise tax revenues which are dedicated to the Highway Trust Fund, plus interest earned on monies in the fund. These highway excise taxes are imposed on: (1) the sale of highway motor fuels, including gasoline and diesel fuel; (2) the sale of heavy, highway tires; (3) the sale of heavy trucks and trailers; and (4) the use of heavy, highway motor vehicles.

Current tax rates and future tax rates as scheduled under present law are summarized in table 1. The diesel fuel tax and the heavy vehicle use tax are described in the following paragraphs.

TABLE 1.—HIGHWAY TRUST FUND TAXES UNDER PRESENT LAW

Item	Rate of tax [1]
Sale of gasoline, diesel fuel, and special motor fuels	9 cents/gallon.
Sale of trucks over 33,000 lbs., trailers over 26,000 lbs., and highway tractors	12 percent of retail price.
Sale of highway tires over 40 lbs.	40 to 70 lbs.—15 cents/lb. over 40 lbs. 70 to 90 lbs.—$4.50, plus 30 cents/lb. over 70 lbs. Over 90 lbs.—$10.50, plus 50 cents/lb. over 90 lbs.
Use of highway vehicle (annual):	
Before July 1, 1984	Not over 26,000 lbs.—no tax. Over 26,000 lbs.—$3/1000 lbs.
After June 30, 1984	Under 33,000 lbs.—no tax. 33,000 to 55,000 lbs.—$50, plus $25/1,000 lbs. over 33,000 lbs. 55,000-80,000 lbs.—$600, plus $40 ($44 on 7/1/86, $48 on 7/1/87, $52 on 7/1/88) per 1,000 lbs. over 55,000 lbs. Over 80,000 lbs.—$1,600 ($1,700 on 7/1/86, $1,800 on 7/1/87, $1,900 on 7/1/88).

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[1] The Highway Trust Fund taxes are scheduled to expire on October 1, 1988.

Diesel fuel tax

A tax is imposed on the sale of fuel for use in a diesel-powered highway vehicle. Like the gasoline tax, the diesel fuel tax is 9 cents per gallon and is scheduled to terminate on October 1, 1988. Unlike the gasoline tax, which is imposed at the manufacturing level, the diesel fuel tax is imposed at the retail or use level.

Present law provides a number of exemptions from the entire amount of the diesel fuel tax. Fuel used on farms for farming purposes or in off-highway business uses, school buses, or certain helicopters is exempt. Fuel used by buses that provide public transportation for hire generally is exempt. Fuel sold for export, for the exclusive use of State and local governments, for the exclusive use of nonprofit educational organizations, or for the use of certain aircraft museums also is exempt. A partial exemption of 4 cents per gallon, scheduled to expire on October 1, 1984, is provided for fuel used in certain taxicabs.

The exemptions from the diesel fuel tax are accomplished by tax-free sale or allowance of a refund (or credit) for the tax paid when the fuel is purchased. In the case of farm uses, the exemption is generally accomplished by means of a credit available only to the farm operator, tenant or owner. However, applicators of fertilizer or other substances may claim the exemption for fuel they use for farming purposes if the farm owner, tenant or operator waives his claim to the exemption for that fuel.

Heavy vehicle use tax

In general

An annual excise tax is imposed on the use on the public highways of any highway motor vehicle whose taxable gross weight exceeds a prescribed minimum weight. The term "taxable gross weight" means the sum of (1) the unloaded weight of the vehicle when fully equipped for service, (2) the unloaded weight of semitrailers and trailers, when fully equipped for service, which are customarily used in connection with vehicles of the same type, and (3) the weight of the maximum load customarily carried on vehicles, semitrailers and trailers of the same type.

Exemptions are provided for uses by State and local governments and the United States. In addition, the use of private transit buses for which certain fare requirements are met is exempt.

The taxable period for the highway use tax is generally the one-year period beginning on July 1. The amount of tax is prorated when the first use of the vehicle during the taxable period occurs later than the first month of the period. Payment in quarterly installments is permitted. The tax is paid by the person in whose name the vehicle is registered. Beginning in fiscal year 1985, up to 25 percent of Federal Interstate highway funds could be withheld from a State which fails to require proof of use tax filing before registering vehicles.

The use tax is scheduled to expire on October 1, 1988.

Tax rate before July 1, 1984

For uses occurring before July 1, 1984, the annual rate of tax is $3 per 1,000 pounds of taxable gross weight or fraction thereof.

However, the use of vehicles whose taxable gross weight is 26,000 pounds or less is exempt.

Tax rate and additional rules after June 30, 1984

A graduated tax rate and additional rules and exemptions apply for taxable periods beginning after June 30, 1984.

First, the minimum weight of vehicles to which the use tax applies is raised from 26,000 pounds to 33,000 pounds. Second, the tax rate for vehicles between 33,000 and 55,000 pounds is scheduled to change to $50, plus $25 for each 1,000 pounds or fraction thereof in excess of 33,000 pounds. Thus, the use tax for most vehicles in this weight class will be higher than it is under the tax as in effect before July 1, 1984. Third, on July 1, 1984, the use tax for vehicles having taxable gross weights over 55,000 pounds is scheduled to change to $600, plus an additional $40 for each 1,000 pounds or fraction thereof in excess of 55,000 pounds, except no additional tax is imposed after taxable gross weight reaches 80,000 pounds. Beginning on July 1, 1986, the additional tax of $40 per 1,000 pounds is increased by $4 every year until it reaches $52 on July 1, 1988. Consequently, the maximum amount of use tax, which applies to vehicles over 80,000 pounds, rises annually in $100 increments from $1,600 on July 1, 1984, and July 1, 1985, to $1,900 on July 1, 1988. Thus, the use tax for vehicles over 55,000 pounds will be higher than it is under the tax as in effect before July 1, 1984.

Table 2 shows the use tax in different years for vehicles of selected weights.

TABLE 2.—HIGHWAY USE TAX, SELECTED WEIGHTS AND YEARS

(Dollars per full taxable period beginning July 1)[1]

Taxable gross weight (1,000 lbs.)	1983	1984	1986	1988
Under 26	0	0	0	0
30	90	0	0	0
50	150	475	475	475
70	210	1,200	1,260	1,380
Over 80	240	1,600	1,700	1,900

[1] After 1983, assumes that vehicle does not belong to a small owner-operator.

Additional rules and exemptions are effective as of July 1, 1984. First, the graduated rate schedule applies with a one-year delay in the case of a person who owns and operates no more than 5 taxable vehicles during a taxable period. For example, small owner-operators will continue to pay the current flat tax until the taxable period beginning July 1, 1985. Second, a vehicle that travels fewer than 5,000 miles on the public highways during a taxable period is exempt from the use tax, regardless of its taxable gross weight. Third, a credit or refund is allowed on a pro rata basis, if a vehicle on which the use tax has been paid is retired from service because of theft, accident or other casualty.

B. Highway Revenue Act of 1982

Major amendments to the highway excise taxes were last made in the Highway Revenue Act of 1982 (Title V of the Surface Transportation Assistance Act of 1982; P.L. 97-424). In general, the Act restructured these taxes to increase trust fund receipts, eliminate taxes that were minor or difficult to administer, and redistribute the highway excise tax liability among users of different types of vehicles.

Congress decided to redistribute excise tax liability, because evidence developed by the Department of Transportation indicated significant disparities in highway excise tax payments among truck users, relative to costs allocable to their respective use of the highway system. As shown in table 3, the Department of Transportation has estimated that the 1982 Act will reduce the overpayment by users of the lighter trucks (other than pickups and vans) from 95 percent to 14 percent and reduce the underpayment by users of the heaviest combination trucks from 40 percent to 34 percent. A 14-percent overpayment, for example, means that the aggregate of highway excise taxes paid by all users of a certain class of vehicles is estimated to exceed the highway costs allocable to their use by 14 percent. Even so, any one user's relative tax payments could differ from the average for the class, depending on the circumstances.

TABLE 3.—DEPARTMENT OF TRANSPORTATION ESTIMATES OF HIGHWAY EXCISE TAX PAYMENTS RELATIVE TO ALLOCABLE HIGHWAY COSTS

(At 1985 levels)

Vehicle class	Prior law	Present law
Autos and motorcycles	5 percent underpayment.	6 percent overpayment.
Pickups and vans	13 percent overpayment.	18 percent overpayment.
Other single unit trucks	95 percent overpayment.	14 percent overpayment.
Combination trucks:		
Under 70,000 lbs	24 percent overpayment.	9 percent overpayment.
70,000–75,000 lbs	21 percent underpayment.	16 percent underpayment.
Over 75,000 lbs	40 percent underpayment.	34 percent underpayment.

Source: Department of Transportation, "Alternatives to Tax on Use of Heavy Trucks," January 1984.

III. DEPARTMENTAL STUDY OF ALTERNATIVES TO HEAVY VEHICLE USE TAX

A. Study Requirement

The Highway Revenue Act of 1982 directed the Secretary of Transportation, in consultation with the Secretary of the Treasury, State officials, motor carriers, and other affected parties, to study plans for improving the heavy vehicle use tax and alternatives to the tax. Findings and recommendations were to be reported to the tax-writing committees of Congress before January 2, 1985. The report, "Alternatives to Tax on Use of Heavy Trucks," was delivered on January 25, 1984.

B. Study Findings

The Department of Transportation's report does not recommend a specific alternative to the heavy vehicle use tax imposed under present law, but does discuss several possible alternatives to the present use tax.

Weight-distance tax

The report describes a tax that would increase with both vehicle weight and miles traveled (a weight-distance tax) as a promising means of levying more equitable highway user charges. In contrast, the present heavy vehicle use tax generally does not vary with distance traveled (except for the 5,000-mile exemption), although it does increase with vehicle weight between 33,000 and 80,000 pounds.

The Department's report considered two types of weight-distance taxes. Under one formulation, the tax would be based on the actual weight and mileage of each trip. Under a second formulation, the tax would be based on registered vehicle weight and actual mileage. In either case, mileage would have to be determined and verified. The report finds that this aspect of implementing a weight-distance tax makes it an impractical alternative in the short run.

Diesel differential options

The report considers variations of a proposal, sometimes called a "diesel differential," according to which a higher excise tax rate would apply to diesel fuel than to other motor fuels. Under this alternative, the diesel fuel tax would be increased for vehicles over 10,000 pounds (to which the diesel fuel tax currently applies) and the heavy vehicle use tax would be reduced or repealed.

The general objective of diesel differential options is to reduce the significance of a lump-sum tax and correspondingly increase the significance of a pay-as-you-go tax. A precise trade-off may not be attainable in every case. For example, users of vehicles that weigh more than 10,000 pounds and are exempt from the heavy vehicle use tax under present law would face a higher diesel fuel tax but no abatement in the use tax. It can be argued that this shift in the highway excise tax burden would be outweighed by the greater sensitivity of a diesel differential to actual highway usage on the part of other highway users. The Department's report concludes that a diesel differential could be structured "to achieve revenue neutrality, maintain the current distribution of the tax burden across vehicle weight classes, and improve the equity of the user fees within weight classes of vehicles" (p. VIII-2).

However, certain administrative difficulties are noted in connection with the diesel differential options. An increased diesel fuel tax would involve a significant number of taxpayers (because the tax is imposed at the retail level), although these persons are currently responsible for paying the existing diesel fuel tax. A higher diesel fuel tax could lead to attempts to evade the tax either through the substitution of untaxed home heating oil for diesel fuel or the resale of diesel fuel originally purchased for an exempt use. Also, the exemption from a diesel differential of fuel used by automobile and light truck owners would require additional recordkeeping or tax filing requirements for a large number of persons, in order that they might save approximately $15-$25 per vehicle per year (depending on the size of the diesel differential). For example, exemption could be accomplished by allowing a self-reported income tax credit for the additional diesel fuel tax actually paid. Alternatively, a prescribed amount of diesel fuel credit per vehicle could be provided, equal to an administratively-determined estimate of the average excess diesel fuel tax paid annually by an owner of a light vehicle.

The **Chairman**. Madam Secretary, we are pleased to have you here today; but before you get to say anything, I want to call on Senator Wallop, then I have a brief statement, which may be longer than yours, and other Senators on the committee may wish to say a word.

Secretary **Dole**. Fine.

The **Chairman**. So, I will yield to Senator Wallop, who has another committee obligation.

Senator **Wallop**. Mr. Chairman, thank you, and Madam Secretary.

I was curious to see if you could listen to that with a straight face, and was pleased to see you could not. [Laughter.]

Mr. Chairman, I appreciate the opportunity to make a few comments at the outset of this hearing, because today we are here to seek out an alternative, a compromise to the onerous heavy truck taxes which were hammered into the trucking industry when the Surface Transportation Assistance Act passed in December of 1982.

We are looking for a workable alternative, an equitable solution, to enhance rather than hinder the financial soundness of the trucking industry We are looking for an alternative—and this is important—that is revenue-neutral as well.

We are also here because the efforts of the trucking industry, the administration, and you, Madam Secretary, Senator Dole, Senator Abner, Senator Symms, and many other Senators, as well as myself, to get this issue resolved before the STAA heavy truck tax has become effective this July 1.

Looking back, when the 97th Congress completed its work, during the final hours of the lameduck session, everyone knew we had generated more revenue to sink into our country's battered highways. We knew we had created some jobs, when unemployment was at 8 percent, and we also knew that Congress had raised gas taxes for the American trucking industry, the American family, business, and factory. We knew Christmas was just days away, and something had to be passed if Members of Congress were to make it hom for the holidays.

I voted against this measure in committee, and I voted against it on the Senate floor; not because I was against improving the national highway or finding work for unemployed people but because the bill slapped the trucking industry with some hefty tax increases—taxes that would increase 800 percent over the long haul, regardless of the highway miles used. To compound matters, this increase was strapped on the back of an industry which was operating at the time at only 40 percent of its peak all-time volume. It did not seem right to me then and does not seem right to me now.

It's a little like the old Wyoming cowboy who was on his way to a roundup when something spooked his string of horses and his packhorse, which was carrying his bedroll and all his earthly belongings, and it took off over the hills When he saw it happening, he cried out, "There goes a lifetime of savings."

A trucker, like the cowboy, has a good chunk of his personal investment tied up in his truck. Unlike the cowboy looking at the packhorse galloping down the road, a trucker under STAA could look at his truck and say, "There sits a lifetime of savings." Whether his rig touched the pavement or not, and that was the problem, the trucker was taxed anyway under STAA, starting at a minimum of $1,600 this year and rising to a maximum of $1,900 in 1988.

In a nutshell, the industry was handed a system based on a healthy sized Federal property tax rather than a pay-as-you-go system. And that is why I introduced S. 1475, the Highway Use Tax Equalization Act of 1983, last June.

The bill proposed a straight 5-cent diesel differential and would have eliminated the heavy truck taxes imposed by STAA. It embodied the pay-as-you-go concept on the one hand, but on the other hand, and all of us knew it at the time, it was not a revenue-neutral bill. I knew that, the American Trucking Association knew that. But I also realized that if the truckers were going to get a square deal, a nod from the administration and the go-ahead from Chairman Dole, we would have to make adjustments, and we would have to engage in some give and take.

I do believe that here we can find an equitable solution. I do think a springboard is the Department of Transportation's study on alternatives to tax on the use of heavy trucks. Quite frankly, I was expecting the worst before I saw this study, and I was pleased to find DOT did not specifically support one alternative over another. It left us room to negotiate, and I do hope we can find some solution that is acceptable, that is revenue-neutral, equitable to all interests, and before the critical date of July 1.

I thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Wallop.

Senator Grassley, do you have an opening statement?

Senator GRASSLEY. Well, I want to insert it.

The CHAIRMAN. Would you?

Senator WALLOP. Excuse me, just for a second.

The CHAIRMAN. Surely.

Senator WALLOP. Senator Simpson has asked if a statement of his could be inserted in the record before it is completed.

The CHAIRMAN. Fine.

[Senator Simpson's prepared statement follows:]

February 9, 1984

STATEMENT OF SENATOR ALAN K. SIMPSON
CONCERNING S. 1475, THE HIGHWAY USE
TAX EQUALIZATION ACT

Dear Mr. Chairman:

I am very sorry that I am unable to be present at today's hearing, for this is a subject about which I feel strongly. However, I made a prior commitment to be in my home state of Wyoming this evening and that is a promise I would not break.

My state knows better than most the importance of the trucking industry. Trucks carry 100 percent of our livestock, 100 percent of our potatoes, 90 percent of our bentonite, and, coincidentally, pay 69¢ of every Wyoming highway tax dollar. Now, that is important!

I have applauded the Administration's efforts to make the cost of doing the government's business the responsibility of those who benefit from those services -- a responsibility known as a "user's fee". The trucking industry, though, already has one of the highest U.S. tax rates -- 36.9 percent -- a full 20 percent higher than the average industry rate. Before we impose any more taxes on this already tightly squeezed business, the least we can do is try to insure that the cost is spread out evenly among the users. The heavy vehicle use tax that is scheduled to go into effect July 1, 1984, bears almost no relationship to actual use. It is a flat payment with no regard for how much a truck may use the highways.

S. 1475, the Highway Use Tax Equalization Act makes a truck pay by the mile -- thus the more miles driven, the more tax paid. The mechanism for a diesel-differential fuel tax is already in place right at the pump. The costs of collecting a fuel tax are estimated to be only 1¢ on the dollar. The economics of non-compliance are far outweighed by the ease of compliance.

Congress has put the truckers, especially the small owner-operator, under a disproportionately large administrative and financial burden with the current heavy vehicle use tax. The added price and paperwork requirements could be the last pound that breaks the trailer's bed for many of these businessmen -- and it could discourage many more from entering the field and providing competition.

All of us on either side of this issue desire adequate funding to rehabilitate and modernize our nation's roadways and bridges. We have a choice of how to finance that goal. We can retain the heavy vehicle use tax as it now stands and get more paperwork, a larger bureaucracy, increased tax avoidance, and a greater cost to us all as taxpayers and consumers. If we were to enact S. 1475, we would be able to finance our goal with an evenhanded tax that has no extra paperwork, no extra bureaucracy, no compliance problems and very little extra cost. I'll opt for the latter every time.

Thank you.

Senator **Grassley**. But I would like to say just one or two things.

The **Chairman**. Sure.

Senator **Grassley**. They deal with the fact that nobody either in the Congress or in the private sector or in the administration should be surprised that we are here today discussing this issue, because there wasn't any aspect of the bill that passed 15 months ago that was any more controversial than this use-tax section, and every opportunity that we had to vote to reduce it, we did. We had the help of Senator Boschwitz, who worked a lot in this area, I tried to get an amendment through that gave owner-operators of five units or less an opportunity to pay over a longer period of time; but none of those alternatives, as it turned out now, were very satisfactory.

I hope, Mr. Chairman, that out of this effort, particularly the leadership of Senator Wallop, we are able to get something, because I think we are going to have a catastrophy that is going to affect not just the truckers but the economy of this country as well.

The **Chairman**. Thank you, Senator Grassley, and your statement will be made a part of the record.

I would like to make my statement a part of the record and just summarize pretty much what Senator Wallop said at the outset.

We have responded to the critical needs of our highway system, we did enact major amendments to the highway exise taxes, and there was a lot of discussion last year about whether or not we were doing the right thing. But I would remind those who were here at that time that when the Highway Revenue Act of 1982 was considered in the Finance Committee and on the Senate floor, many of us agreed that heavy trucks should pay a greater relative share of highway costs. In addition, we were concerned about distributing the burden of highway costs fairly among the various highway users.

In an effort to satisfy these competing concerns, I proposed the diesel differential, and a significant reduction in the proposed heavy-vehicle use taxes.

While several groups now support the concept of a diesel differential, at that time every major representative of the trucking industry strongly opposed the diesel differential. In fact, the representatives of the trucking industry offered no support for a diesel differential which I wanted to discuss during the Finance Committee consideration of the Highway Revenue Act of 1982.

In an effort to obtain more information concerning alternatives to a heavy truck use tax, the Highway Revenue Act of 1982 directed the Department of Transportation, in consultation with the Department of Treasury, to study alternatives to the heavy-vehicle use tax and the collection and enforcement of the use tax and its alternatives.

In addition, I directed the General Accounting Office to study the impact of the increased highway excise taxes on the trucking industry, and we will hear from the General Accounting Office witness later.

We now have the Department of Transportation study, which was delivered to the Finance Committee in January, and as I have indicated, we will hear from the General Accounting Office.

I think at the outset we all agree we are looking for revenue neutrality. Everyone agrees there is much to be done on our Nation's highways, and I am hoping today that witnesses will focus not only on tax methods that vary with the highway use but will also discuss other objectives that must be addressed, and these include administrative feasibility, high levels of compliance and easy enforcement, and the distribution of highway costs among the various users of the highways.

So I would suggest that we are pleased with the witnesses. I would like to say one additional thing. I have been instructed by a coalition of agriculture groups, who met yesterday, to make the following statement on their behalf, and I quote:

"They support the direction of the DOT alternative use tax study. This group specifically supports applying the heavy-use tax only to vehicles weighing 55,000 pounds or more. This group would also support a diesel differential option similar to DOT No. 4."

The group was comprised of the National Grange, the National Association of Wheat Growers, the American Soybean Association, the National Council of Farmer Cooperatives, and the Fertilizer Institute.

I think that point should be made at the outset.

So now, Madam Secretary, we are prepared to have your statement. It can be stated in full or summarized. Your entire statement will be made a part of the record.

STATEMENT OF ELIZABETH H. DOLE, U.S. SECRETARY OF TRANSPORTATION

Secretary Dole. Thank you, Mr. Chairman.

I am honored to come before this impartial body this afternoon. I hope we can come to quick agreement on these important matters that are before us in all three houses. [Laughter.]

I sincerely appreciate the opportunity, to be able to discuss with you, Mr. Chairman, and the members of your committee possible alternatives to the truck taxes levied by the Surface Transportation Assistance Act.

As also required by that legislation, we have submitted, as you indicated, to the Congress a full report on those alternatives. We completed that report a year before the date required by the statute and 6 months before the heavy truck taxes are scheduled to begin, to allow ample time for reviewing the issues and exploring reasonable alternatives.

The basic premise of the truck tax is user equity. We believe that those who benefit from Government-provided services should pay their costs to the maximum extent possible. This principle, the underlying tenet of the Highway Trust Fund, is a well-established component of transportation policy and one that Congress certainly has long supported.

For the trucking industry, the public highway system is their factory, an essential part of their business. Any alternative to the truck taxes now on the books must not, in my judgment, violate the policy or user-fee equity.

In submitting our report, we avoided making any specific recommendations, preferring to let the Congress and the highway users study our analysis.

However, now that the matter has been opened for review and for discussion, I believe it is appropriate to offer some observations and express our views on the issues before us.

The trucking industry, understandably, has been concerned about the lump-sum taxes scheduled to begin this year. The administration opposes any legislation that would reduce the revenues generated by the Surface Transportation Assistance Act, and we continue to believe that heavy trucks should bear their fair share of highway costs.

However, there are alternatives that would satisfy both the legitimate concerns of the industry and our bottom-line criteria. Those are alternatives 4, 5, 6, and 7 of the DOT study. Now, any of those four options would be acceptable to the administration and would address the principal concerns of the trucking industry. Each alternative would reduce the lump-sum-use tax in favor of a modest increase in the diesel tax. The option identified as DOT 4 would provide the most relief for the industry by combining a 6-cent diesel fuel tax increase with a significantly reduced heavy truck use tax, bringing that tax ceiling down to $650 a year from the current $1,900.

The DOT 4 alternative would also raise the lower limit of the use tax from 33,000 pounds to 55,000 pounds. This would further aid the industry by removing 700,000 trucks from the requirement to file and pay the use tax—that's about 40 percent of those that would be covered, starting this summer, under the Surface Transportation Assistance Act proposals.

This proposal, then, has several attractive features:

First of all, it relieves the heavy truck industry of large lump-sum payments in favor of a 6 cent a gallon increase in diesel fuel taxes.

Two, it responds to the motor carrier industry's concerns of improving equity for low-mileage vehicles.

Third, it maintains the revenue levels needed to meet the Nation's highway and bridge needs.

Fourth, it retains the same relative share of the tax liability for each class of vehicle.

And five, by raising the weight threshold, the cost of administering the use tax will be reduced.

While this is not the only acceptable alternative, we feel DOT 4 is both a workable option and a worthy one. For the trucking industry it converts a sizable due bill to a convenient pay-as-you-go tax. For the one or two rig operator, the independent trucker whose livelihood depends on his skill as an owner-operator, it cuts an imposing annual tax bill down to size.

Our proposal reduces the trucker's direct tax by two-thirds. For the operator of the largest truck, it amounts to $167.50 a quarter, about the cost of a tank or so of fuel. It makes it easier for the trucker to meet his tax obligation, while still playing fair with the motoring public.

We all use our highways. We should pay as closely as possible the amount of tax proportional to our use and our share of the costs.

Let me add, Mr. Chairman, that the latest revenue projections reduce the amount of heavy truck taxes from the 70 percent of their fair share presumed when the Surface Transportation Assistance Act was passed, to 66 percent of their share of highway costs. We accept this equity variation, and in fact used it as the basis of our analysis. But we believe that anything less than that would be grossly unfair to other highway users.

In developing this proposal, we have worked closely with Members of Congress as well as the trucking industry. It is, in my view, a responsible, constructive solution to the industry's concerns while fully meeting the intent of the Surface Transportation Assistance Act.

I thank you for your interest, for the committee's considerable contributions to the progress we have made, and I will look forward to working with you further in resolving this issue.

Thank you, Mr. Chairman.

[Secretary Dole's prepared statement follows:]

TESTIMONY OF
ELIZABETH H. DOLE
SECRETARY OF TRANSPORTATION
BEFORE THE
SENATE COMMITTEE ON FINANCE
FEBRUARY 9, 1984

Mr. Chairman, thank you for this opportunity to testify before the Senate Finance Committee on the subject of truck taxes. I consider the question of appropriate highway user charges to be an essential component, not only of our highway program, but of the Administrtation's approach to transportation policy. The principle that underpins our approach to highway user charges -- that to the maximum extent possible the recipient of services provided by the government should pay the cost of providing those services -- is basic to our entire transportation policy.

Study of Alternative Taxes

I have submitted, approximately one year before the date required by statute, the report to Congress on alternatives to the tax on the use of heavy trucks required by section 513(g) of the Surface Transportation Assistance Act of 1982 (STAA). In undertaking the analysis that is documented in the report, the Department focused on three major criteria as the basis for measuring the suitability of the various tax alternatives. These are:

- to maintain revenue levels, in total and by vehicle class, as enacted in the STAA,
- to improve the ease of payment and equity within classes of users by shifting from lump-sum to use-based taxes to the extent feasible, and

- to maintain the maximum level of simplicity in administrative and enforcement requirements.

We deliberately avoided making recommendations in the report. Instead, we chose to provide the results of the analysis so that Congress, the highway user community and the Department could more freely consider and discuss the information. Now that the discussion is well under way, I believe it is appropriate for me to offer some observations on both the history and the current debate so that we can focus directly on the results before us.

The Surface Transportation Assistance Act of 1982 accomplished two things. First, it provided an infusion of funds to rehabilitate our highway system that was badly in need of additional work. We must not reduce this flow of funds with any change we make now. Second, the STAA substantially improved the fairness of the tax structure among the major classes of users of the highways. We must preserve this advance in equity.

Level of Funds

No one is disputing the merits of the substantial increase in the funding and program levels provided by the STAA. In general, all of the users agree that increased investment was needed and is justified by the contribution which the highways of the nation make to our economic well being.

It should also be pointed out, that over the next five years, the cash balances for the highway account of the Highway Trust Fund will decline precipitously. Current Administration projections are that the cash balance will decline from $9.4 billion at the end of fiscal year 1984 to $3.8 billion at the end of fiscal year 1989. Obviously, the Highway Trust Fund can ill afford reductions in trust fund receipts lest they not be adequate to cover future needs. This is among the reasons that I feel so strongly about the criterion of "revenue neutrality". The Administration would oppose any loss of receipts to the trust fund.

However, it has been suggested by some segments of the trucking industry that recent Treasury projections which show that automobile and light truck users will pay more money into the Highway Trust Fund than was originally projected should be the basis for a decrease in the tax level for heavy trucks. This decrease for heavy trucks is not justified. In fact, the new projections indicate that trucks will contribute about one billion dollars less to the total trust fund revenues than was expected at the time of the passage of the STAA.

The facts, then, would better support a tax increase for heavy trucks rather than a reduction. However, we are not seeking changes based on the earlier revenue projections but only seeking to maintain the heavy truck share based on the taxes enacted in the STAA.

User Charge Structure

It is principally on the second accomplishment of the STAA -- the improvement in fairness or equity of the user charge structure -- that the debate has centered. In our Highway Cost Allocation Study and in our initial

1982 highway bill proposal, the Department recommended to Congress user charges that would come closer to collecting from the various classes of vehicles amounts equal to the costs which they each impose upon the highway system. Congress enacted a tax structure that was a compromise -- less than the fairer share recommendations which we had made, but an improvement over the user equity of the pre-STAA tax structure. The proposals which much of the trucking industry have been recommending would be a step backwards from the compromise equity improvements which Congress adopted in the STAA.

I will oppose alternatives which reduce the fairness or equity of the highway use tax structure below that enacted by the STAA. I believe that to do otherwise would be unfair to the users of the highways who now pay, or overpay, their legitimate share of the system costs for which they are responsible. It would further distort the market for transportation services in which, as in any market, prices must accurately reflect the costs of these services if the market is to be efficient.

Workable Alternative

As I noted earlier, the Department is concerned with (1) revenue neutrality and equity, (2) improving ease of payments and equity within the various classes of users, and (3) keeping an administratively feasible tax structure. I have consulted with Members of Congress, officials within the Administration, trucking representatives and other affected parties. Our analysis indicates that alternatives 4, 5, 6 and 7 of our study meet the criteria discussed earlier. Any of these options would be acceptable to the

Administration. From our communications with the trucking industry, I know how important it is to them that the lump-sum use tax be reduced as much as possible. Thus, I believe that DOT 4 is an alternative which meets the Administration's objectives while at the same time producing substantial relief for the trucking industry.

DOT 4 combines a 6 cent increase in the diesel fuel tax with a substantially reduced heavy vehicle use tax. The reduced use tax is graduated for trucks beginning at 55,000 pounds up to 80,000 pounds gross vehicle weight, with a maximum of $650 at the highest weight. This is a dramatic decrease from the current maximum use tax in the STAA of $1900. Moreover, by raising the lower limit of the use tax to 55,000 pounds, this alternative would remove 700,000 trucks from the requirement to file and pay this tax. Like a number of other options, this alternative meets the three major goals that we have set out. What sets it apart from the others that meet those goals is that it transfers the maximum tax burden to a pay-as-you-go tax instrument without compromising our equity objective.

While I believe that DOT 4 is a workable and desirable option, it also represents the limit on the reduction in the heavy vehicle use tax that we could accept. Any further reduction in the amount of the heavy vehicle use tax will result in an unacceptable shift of the tax burden away from those users who should be paying to those who are already paying their share. Should this occur, or should net revenues to the Highway Trust Fund be reduced, I would not be able to recommend to the President that he sign the resulting legislation.

With respect to administrative issues generally, I don't believe that DOT 4 presents any significant problem. However, we will be working closely with the Treasury Department to monitor the administrative and compliance issues closely since any diversion or loss comes out of the Highway Trust Fund and reduces our ability to respond to program needs.

Closing

Mr. Chairman, let me thank you and the members of your Committee for your contributions to our efforts toward a fair and equitable resolution of this matter. I look forward to working with you and the other Members of Congress as you consider any changes to the highway use tax structure.

I would be pleased to answer any questions you or other members of the Committee might have.

The CHAIRMAN. Thank you, Madam Secretary.

Now, as I understand, you prefer option 4, is that correct?

Secretary DOLE. That is correct.

The CHAIRMAN. I guess that is the administration's position? You are the administration.

Secretary DOLE. Yes. Option 4 is the preferred option of the administration.

The CHAIRMAN. Now, why does the Department option DOT 4, which applies a heavy vehicle use tax to vehicles registered at 55,000 pounds or greater with a ceiling of $650, and the 6-cent differential?

Secretary DOLE. Well, Mr. Chairman, option 4 responds to the motor carrier industry's concerns about improving equity for the low-mileage vehicles. We understand that concern. This would provide a pay-as-you-go or pay-as-you-earn mechanism in terms of the increased diesel tax and it would reduce the heavy vehicle use tax to the lowest level possible without sacrificing equity between the heavy and the lightweight vehicles.

So basically, it retains the equity categories as set out in the Surface Transportation Assistance Act. It is revenue neutral—it is the same amount of revenue that would be collected under the 1982 act—and it is easier to administer, in that the trucks between 33,000 pounds and 55,000 pounds would not be required to pay the heavy use tax. You would have a higher threshold, so that does remove about 700,000 trucks or 40 percent of the trucks that currently would be covered. It is certainly easier to administer.

I think that the main point here is that it improves equity for those low-mileage vehicles.

The CHAIRMAN. But you have indicated in your statement that there are four alternatives which would satisfy the so-called revenue-neutrality aspects.

Secretary DOLE. That's right; 4, 5, 6, and 7 would be revenue neutral. They are all alternatives that would meet the criteria of equity, revenue neutrality, and ease of administration.

I think that from the standpoint of the trucking industry, option No. 4, the 6-cent 650 flat tax, meets their concerns about the low-mileage vehicles.

The CHAIRMAN. Are the other options just variations of that? I mean, are they a higher differential, and——

Secretary DOLE. Yes. For example, option 5 would be a 5-cent diesel differential. Again, the threshold would be at the 55,000 level, and it would be a maximum $950 flat tax as opposed to the $650. The revenue raised is basically the same.

Option No. 6 would be a 4½-cent diesel differential. That would be a maximum phased in $900 to 1,200 heavy use tax.

Option No. 7 is a 5½-cent diesel differential, with a maximum phased-in $600 to $900 heavy use tax. All of them have a 55,000-pound threshold, and all are revenue neutral.

The CHAIRMAN. I may have some additional questions. We follow the early-bird rule in this committee, and I think Senator Grassley would be next.

Senator GRASSLEY. Madam Secretary, I would like to highlight two sentences from the last page of my testimony, which you know I didn't read. It's just a statement: most of our products—and I'm speaking of Iowa—are shipped by truckload haulers, many of whom are owner-operators. As GAO points out, and I don't know whether you have had a chance to look at their preliminary report or not, this is the industry segment most harmed by the Surface Transportation Assistance Act. I want to urge the Department of Transportation to expand their goals to consider, and give careful consideration, to the impact of their study on truckload haulers.

If you want to comment on that, I would like you to; but if you don't want to, you don't have to, except I wanted to highlight that before I ask you a question.

Secretary DOLE. I think, as far as the independent owner-operators are concerned, these proposals would be of substantial assistance to them, because they do provide the pay-as-you-go differential, which would be readily passed on in the course of business. The up-front heavy vehicle use tax is substantially reduced. I think that certainly mitigates one of the concerns that they have had about a large lump-sum payment rather than paying more as you go or as you earn.

Senator GRASSLEY. OK.

Then, my only question to you is: How come we can't eliminate the heavy vehicle use tax altogether and just substitute totally a diesel differential?

Secretary DOLE. That is what is called in the report "DOT Report Option 1." It would require a 9-cent diesel differential if there were no heavy use tax. In terms of the equity argument, the heavy trucks are already paying only 66 percent for their use of the highways under the statutory scheme that would currently go into effect this summer. What option 1 would do, basically, is to put more of the burden on those who are overpaying, such as lighter trucks. It would put more of a burden on those who are already overpaying, and it would lessen the amount that the heavy trucks pay, and these are the vehicles who are underpaying at the moment.

I think that it is a problem. To make it revenue neutral, you would have to go to 9 cents. That causes real equity problems for us, in terms of the categories that were established in the Surface Transportation Assistance Act.

Senator GRASSLEY. OK.

I would only end by saying I'm not sure that I agree entirely with the analysis. I'll look into it more deeply, but I think over a long period of time I have sensed a fairness aspect as people have got behind the diesel differential, that I think we ought to be cognizant of, and also a cashflow problem for a lot of small businesses.

Mr. Chairman, that's the only question I have.

The CHAIRMAN. Under the rule, Senator Chafee would be recognized. Do you wish to bring additional people to the table? You've got Mr. Barnhart there.

Secretary DOLE. Ray Barnhart, who is the Administrator of the Federal Highway Administration, Mr. Chairman.

The CHAIRMAN. Right. A lot of these members have been talking with Mr. Barnhart.

Secretary DOLE. Right.

The CHAIRMAN. Senator Chafee will pass for the present. Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Madam Secretary, along with the Senator from Iowa, I have long thought that the principle of pay-as-you-go is something we have to move more toward. I am a little intrigued, though, with this constant use of the expression "revenue neutral." Neutral compared to what baseline? Where are you starting?

Secretary DOLE. Revenue neutral means that we would come out with the same amount of revenue as the Surface Transportation Assistance Act [STAA] would provide.

Senator Baucus, the need to repair our roads and bridges in this country, as you know, is severe, and there is quite a backload of projects awaiting funds. I think it is important that we not lower the amount of the tax that is going to be collected.

Senator BAUCUS. What is the revenue that is anticipated be raised?

Secretary DOLE. $73.3 billion.

Senator BAUCUS. $73.3 billion over what point of time?

Secretary DOLE. Until 1988.

Senator BAUCUS. Until 1988?

Secretary DOLE. Yes.

Senator BAUCUS. Do you have any rough estimates as to what amount of revenue would be raised over the same period of time per 1-cent tax on diesel fuel, for a 1-cent diesel differential? Do you have a sliding scale? Is there a rule of thumb on how much you get per cent? I am sure it tapers off after a while, but is there a rough rule of thumb?

Secretary DOLE. $150 million.

Senator BAUCUS. $150 million?

Secretary **Dole**. Yes. That's per penny.

Senator **Baucus**. Per penny? Is that per year?

Mr. **Barnhart**. Yes.

Senator **Baucus**. Do you also have a rough rule of thumb as to how much is raised of the trucks, per se? A hundred dollars per truck? Or $250? Is there a rough rule of thumb as to how much revenue is raised per year per $100 amount, or whatever amount makes sense?

Secretary **Dole**. That would depend on the class of vehicle.

Senator **Baucus**. We are talking about these heavier trucks, though.

Secretary **Dole**. You would be talking about the 55,000 to 80,000 pound trucks?

Mr. **Barnart**. About $50 million per year per $100 increase in the maximum amount of use tax.

Senator **Baucus**. $50 million per $100-fee per year in the 55,000 pound truck and above?

Mr. **Barnhart**. We would be happy to supply you with the specific details, Senator, on any question you have.

Senator **Baucus**. Yes. The obvious point here is to try to find the total that makes sense to me to meet the needs of highways, that's true; and, second, to find some allocation here that is fair and equitable to all people here.

I expect that truckers tend to agree very much with the pay-as-you-go principle, and I also agree with you that we should not overtax lighter vehicles, if in fact they are overtaxed with some of these other proposals.

Secretary **Dole**. In fact, under the DOT option 4 that I have recommended, vehicles under 10,000 pounds, would be provided with a rebate from the diesel differential increase. It could be done on the tax form. Basically, as I said, I think this option does maintain the equity among the classes. I do feel very strongly about that revenue number remaining the same, since it must be sufficient to carry out the projects which await the funds that come from the tax.

Senator **Baucus**. All right.

What if we lowered the tax 1 cent? That would be $150 million per year?

Mr. **Barnhart**. That is correct.

We have not revised at the percentage of the total support that is borne by the various classes of vehicles We have kept that pretty well as it is in the STAA. We have not played games or attempted to increase the revenue.

Senator **Baucus**. No, I am not suggesting that games have been played here. I am just trying to get a rough rule, say 150 percent. If the tax were 5 cents instead of 6—when does it go into effect? 1985?

Secretary **Dole**. July 1, 1984, this summer.

Senator **Baucus**. July 1984? That is the hope?

Mr. **Barnhart**. Yes.

Senator **Baucus**. OK; so that's 4½ years. So that comes out to about $700 million out of $73 billion.

Secretary **Dole**. I think the best plan would be for us to actually run the numbers on what you are suggesting here, but we do have DOT option 2 and DOT option 5 as 5-cent diesel differentials.

Senator **Baucus**. Five, with the 950.

Secretary **Dole**. Yes.

Mr. **Barnhart**. We would have to go to DOT 5 at the 5 cents, and go to $950 on the use tax, in order to achieve the same revenue. That's why we have tried to minimize that use fee.

There are many trucking organizations that have standby rigs on which they would have to pay the use tax, where they wouldn't get full value. That has been one of the inequities in the large use tax. DOT option 4 gives them that equity.

Senator **Baucus**. I see my time is up. One final question: Under option 4, what percent of revenue is derived from the diesel differential, and what percent from the use tax? Just a rough estimate.

Mr. **Barnhart**. We would have to check that out, Senator. I will get that for you from my mechanical mind back here.

[The information follows:]

DOT OPTION 4

[Fiscal years 1984-88]

	Billion	Percent
Diesel differential (6-cent on vehicles over 10,000 lbs.)	$3.69	68
Heavy vehicle use	1.74	32
Total	5.54	100

Senator **Baucus**. Thank you very much.

The **Chairman**. All right. We can furnish that for you. Senator Chafee.

Senator **Chafee**. Thank you, Mr. Chairman.

Madam Secretary, isn't this, implementing this diesel differential, going to cause an awful lot of administrative and indeed perhaps compliance problems?

Secretary **Dole**. Senator Chafee, no. I don't think that it will. As a matter of fact, of course, we already have a diesel tax. This is just an increase in that tax. So I don't see that there is a problem there.

There is some concern that there could be a compliance problem right now on the heavy user side, because there is concern about the amount and the necessity of paying this lump-sum cost up front.

So I think if we are worrying about compliance problems, we are reducing compliance problems as we bring down the lump-sum amount for the heavy-use fee. I don't see that we are going to create problems by increasing the diesel differential.

Senator **Chafee**. Well, if I understand this correctly, currently a trucker and a private passenger diesel-powered vehicle pay the same diesel tax. Obviously they pay it, but neither is entitled to a refund now, are they?

Secretary **Dole**. No.

Senator **Chafee**. But under this proposal, they would all pay the same at the pump.

Secretary DOLE. Under 10,000 pounds.

Senator CHAFEE. But the passenger vehicle then files for the difference.

Secretary DOLE. That's right.

Senator CHAFEE. The difference of 6 cents a gallon.

Secretary DOLE. Yes.

Senator CHAFEE. Now, I know that we do this with the fishing vessels, as far as the diesel tax goes, but they are a limited number. What happens when you get literally thousands of people filing for these rebates? What happens to the IRS, are they inundated?

Secretary DOLE. This is, of course, a Treasury issue. I have been in touch with Treasury and they feel that this will not be a problem. There will be instructions in the tax package as to how to take this deduction. It will be for 10,000 pounds and under. This will work, for example, as the State fuel tax deduction worked, as a block on the income tax form that you fill out and receive a deduction.

Senator CHAFEE. I see.

Next, as I understood, in the 1982 highway cost allocation study, that study assigned a very heavy cost responsibility to heavy trucks. Now, it seems to me, the DOT—well, what is DOT's current position on that cost allocation study?

Secretary DOLE. Well, the cost allocation study, we feel, is sound. We have no reason to doubt that study. In fact, it is used by the majority of the highway community, by ASHTO, by people in the academic community who do research in this area. The majority of them have been supportive of this study. We feel it is sound, and it is reliable. The cost allocated for the heavy trucks was determined to be 33 percent, because of structural damage, not just on the surface but stuctural damage.

Senator CHAFEE. Yes.

Secretary DOLE. As I understand it, some in the industry said this would be more like 20 percent, and the Congress came down the middle with 28 percent, as estimated a year ago. So that was the basis for going forward under the Surface Transportation Assistance Act.

Our view is that we will stay with the 28 share, as the Congress determined in 1982. That is what our work has been based on, not on the higher 33, but the 28.

Senator CHAFEE. I see.

I don't know whether the chairman asked this question: Your conclusion is that this is revenue-neutral when we make all these changes?

Secretary DOLE. That's right.

Senator CHAFEE. And I suppose the fact that you have dropped the maximum charge and put it up on the diesel tax, it's all deductible. Both of them are deductible, so I suppose that doesn't affect the equation in any degree.

All right, fine. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Chafee.

Senator Packwood? You have no questions?

Senator Symms?

Senator **Symms**. Thank you very much, Mr. Chairman, and I want to thank you for your continued interest in trying to restructure this heavy vehicle tax, because I know in the late hours of December of 1982 when it passed that you weren't happy with it. I wasn't happy with it. And I note that you have kept your word, that you told all the people at the time, that we were going to relook at this question And I think it is important that we do do it.

I am convinced, and I might just say to my colleagues an to the distinguished Secretary and the Administrator of the Highway Department that we have held 3 days of hearings on this subject in the subcommittee that I chair, in Public Works, and had a great deal of testimony.

I am convinced that collections would improve if we went to a diesel differential, and it also would allow the truckers to pay as they go. So I am firmly in the camp of one that wants to change it.

Now, I guess, what we are in a discussion about is, at what rate? Whether it be 5 cents and $500, or 6 cents and $650, for the heaviest truck.

I would hope that the committee might be able to come to some conclusion, Mr. Chairman, that, if we start out on the basis of being revenue neutral, as the Secretary is asking for and I think quite correctly, that we try to shoot for something close to that, that if it turns out that the predictions are that we do raise more revenue, maybe in the third or fourth year we might be flexible enough depending on what the highway program is, to take another look at it, and maybe it could be reduced.

Furthermore, there are two sections of the trucking industry—the piggyback trailers and the logging trucks—that do have some special concerns I hope we could address.

As you know, the Department of Transportation recently was quoted to say that consideration should be given to relieving truck trailers that are manufactured for use as piggybacks. I know I have discussed this with the Administrator, and he is pretty adamant that we don't do something that bleeds the trust fund.

Second, the logging truck sector I think we need to look at, because logging trucks are only driven at a maximum of 6 months a year, usually, and then they go back empty. And most of the time they don't drive on highways. So I hope we could take a look at that.

Third, Mr. Chairman, I would just like to go on notice to my colleagues here that I will certainly resist the expansion of a gasohol exemption for the trust fund. I would be happy to have the whole amount of gasohol be exempted, if we don't count the part of the part of the petroleum fuel that we mix it with. But I see Senator Long there from Louisiana, a State that produces oil, and my colleague from Iowa who just left, and I must note that in the State of Iowa, where they have a big gasohol exemption, they are running short of highway funds, then they want the States that produce oil and gas to send money up to Iowa to pay for their highways.

The **Chairman**. The Senator from Iowa is in the back, there. There he is. There's Grassley.

Senator **Symms**. There he is. [Laughter.]

So, I hope we can try to get over the temptation to do that.

Now, I think it is worthy of noting—I know that the Secretary knows this—that people don't get just an exemption on gasohol, they get it on the other 9 gallons of petroleum that is mixed with it. I don't have any objection to an alcohol exemption, but I do to a gasohol exemption.

The **Chairman.** I think the Secretary agrees with you on that.

Secretary **Dole.** I was just going to say, Senator Symms, I am very much in agreement with you and in disagreement with the Chairman on that particular issue. [Laughter.]

The **Chairman.** She agrees with you, but you're both wrong. [Laughter.]

Senator **Symms.** I guess that one of the questions that might be asked here—and I'm sure that some of the farm State people are interested in it:

Does the DOT support exempting farm vehicles from highway users fees?

Secretary **Dole.** They are, in fact, exempt if not used on public highways. You know, of course, there is the current 5,000 mile exemption; but under this plan, 33,000 to 55,000 pound trucks would also be exempt from the heavy user fee. That's going to pick up a lot; 98 percent of farm trucks weigh less than 55,000 pounds.

Senator **Symms.** Well, like in my state where we grow a lot of potatoes and sugar beets, the 10-wheeler trucks that are licensed are mostly licensed 48,000 pounds to 50,000. So they would not have to pay a user fee. I think it is worthy to let that be known in the record.

So most of your farm trucks that people see would not be paying the user's fee. They would, of course, pay the diesel differential fee, but only when they are driving the truck. When it is parked in the yard, there wouldn't be a tax on it?

Secretary **Dole.** That's right.

Senator **Symms.** I think that is important.

If I could just ask one question, and maybe the Secretary covered this in her testimony—I apologize if I am being redundant.

How many trucks will be exempted? Isn't there some 700,000 trucks that are not going to have to pay a fee if we would change to DOT alternate 4?

Secretary **Dole.** That's right; 33,000 pound to 55,000 pound. That's about 700,000 trucks.

Senator **Symms.** That will pay diesel, in lieu of——

Secretary **Dole.** Right. It is about 40 percent fewer trucks.

Senator **Symms.** Mr. Chairman, if I could just ask one 30-second question to Mr. Barnhart?

The **Chairman.** All right.

Senator **Symms.** I think that is a good point that we need to recognize: We won't have as much of a collection problem; there will be less trucks actually doing it.

Now, Mr. Barnhart, the question I wanted to ask deals with—it slipped my mind, what the question was.

Mr. **Barnhart.** I'll supply an answer. [Laughter.]

Senator **Symms.** Oh, I know what it is.

In terms of my original supposition, do you have any flexibility in this, if the committee in its wisdom and the Congress in its wisdom would go to DOT 4, which would be 6 cents and $650?

Would you have any flexibility from the administration with some kind of an understanding, an amendment, that stated that if the revenue projections are way more than what are projected, that we could lower that tax by 1-cent a gallon, and maybe $100 on the heavy use tax.

The CHAIRMAN. Would that work both ways? If they were lower, you would raise it? Or would it just be a one-way?

Senator SYMMS. I would rather have it a one-way, Mr. Chairman. [Laughter.]

The CHAIRMAN. Good work.

Mr. BARNHART. I want to make one point clear, Senator, and that is that 98 percent of the farm trucks, the agricultural trucks, are below 55,000 pounds and would be exempt under DOT 4.

Senator SYMMS. Thank you. I've gone past my time. Thank you, Madame Secretary.

The CHAIRMAN. Senator Roth?

Senator ROTH. Thank you, Mr. Chairman.

I, too, want to express my appreciation for your holding these hearings, and I'm hopeful that we are going to be able to get rid of the present lump-sum tax.

But before I go into that, I would just like to express how pleasant it is to have the prettier half of the Dole-and-Dole team here.

I read with great interest the recent Newsweek article on you and Senator Dole, and I noticed at the end that they predicted that you might emerge as the national candidate for public office. I have a question that I would like to ask.

The CHAIRMAN. So do I. [Laughter.]

Senator ROTH. If you were the candidate for President in 1984, would you be willing to consider——

The CHAIRMAN. In 1988?

Senator ROTH. In 1988. Would you be willing to consider a husband as a Veep? [Laughter.]

Secretary DOLE. Senator Roth, I have absolutely no plans to run. I think he is highly qualified for either of those positions, but I myself am not planning a campaign.

Senator ROTH. It is a great pleasure to have you here, Madam Secretary.

Secretary DOLE. Thank you.

Senator ROTH. As I said, I'm hopeful that we can eliminate the current tax situation. I am not sure that you can answer this, because I guess it should go to the Treasury, but as I understand it there are certain regulations that are supposed to be issued by July which are quite important; as for example, the bill allows a 1-year delay in the tax for small owner-operators, but there is no statutory definition of "owner-operators." Is it your understanding that, in the event we don't move as I hope we shall on a reform that these regulations will be issued?

Secretary DOLE. I would have to assume yes.

A Treasury representative says the answer is yes.

Senator ROTH. I would say, Mr. Chairman, I think it is most important that the Treasury move ahead on that notice.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Roth.

No, I think that's the reason. We know the House Ways and Means Committee has hearings set. We will be hearing one of their distinguished members later.

Does anyone have the date of the House hearings? The 23d of March?

Secretary Dole. The 23d of February.

The Chairman. Oh, February. So there is an effort on the part of both committees of jurisdiction to move very quickly. And we would hope that, if we can work this out, it will become part of the so-called "down-payment package," if it's not contentious. We can't have anything that is contentious in that package.

Senator Long?

Senator Long. No questions, Mr. Chairman. I am just pleased to see Mrs. Dole here, and I'm very pleased to hear your recommendations.

Secretary Dole. Thank you.

Senator Long. She always comes promptly with her suggestions, and we are pleased to have her.

Secretary Dole. Thank you.

The Chairman. Thank you very much.

Do you have an answer to Senator Baucus' question?

Mr. Barnhart. Yes, sir, I do. In 1985, the use tax would generate $333 million; the diesel differential, $848 million—that is, in that specific year of 1985.

Senator Baucus. Again, please?

Mr. Barnhart. $333 million generated out of the use tax, and $848 million, of course, out of the diesel differential.

Senator Baucus. So it is roughly 3 to 1 in 1985.

Mr. Barnhart. Yes, sir. That is correct.

Senator Baucus. Does that ratio hold true for the remaining years?

Mr. Barnhart. It holds fairly consistently.

Senator Baucus. Thank you.

Mr. Barnhart. We can supply those figures to you.

Senator Baucus. If you would, please.

Mr. Barnhart. I would be happy to.

[The information follows:]

DOT OPTION 4

[In millions of dollars]

	Fiscal year—			
	1985	1986	1987	1988
(1) Diesel differential (6 cents on vehicles over 10,000 lbs.)	$848	$866	$881	$890
(2) Heavy vehicle use	333	363	376	390
Ratio of (1) to (2)	2.6	2.4	2.3	2.3

The Chairman. Senator Symms, you had one specific question that I don't think was answered.

Senator Symms. Well, I think the question was about if we could have a refund. I thought maybe Mr. Barnhart might want to mention that it would depend on what we did on the spending side.

I also might say, Mr. Chairman, that I told your beautiful wife the other day that I was considering offering an amendment to this particular bill to repeal the 5-cent-a-gallon tax that we have already passed, until we can break the logjam with the House and Senate on this ice thing, because right at the present time we are just about to miss a construction year, which I think would be tragic for the Nation's highways.

I know Congressmen Howard and Schuster and the others are trying to work out some accommodation, and those of us in the Senate committee, but so far we haven't been able to do it. Some little project up in Boston seems to be the problem. That might have an impact—it's about $2 billion I think—on whether we would have any extra money.

The **Chairman**. Is there any comment—not on the Boston project, but on the question? [Laughter.]

Mr. **Barnhart**. Well, quite obviously we are very concerned about the inability to distribute the $5-plus billion to the States at the present time. This is a most significant issue, because these truckers and everyone else have been paying their fees into the Treasury and deserve to have these projects go on. We are terribly concerned, because we are missing a construction season. My fear is, we have already interfered with that season in 30 States for 4 months. If we do get an interstate cost estimate [ICE] for the balance of this ensuing year, we must face the same issue come October 1, at which time the national highway program may be shut down again for another 4 months. It will ultimately cost millions of additional dollars.

Secretary **Dole**. If we get it resolved by March 1, then we should be able to handle the year's obligations, but it has got to be resolved very quickly. We certainly prefer the 2-year ICE so that we avoid, as Ray says, exactly what is happening now but at a later time.

The **Chairman**. I just have one additional question—I think we have nailed it down fairly well—and that's the timeframe. I don't know when Treasury would have to start issuing all of the regulations if part of this is effective July 1. Do you have any timetable? Maybe DOT doesn't have but if Treasury has, maybe we can furnish that for the record. Is there anybody here from Treasury?

[No response.]

The **Chairman**. No?

Pardon?

[Inaudible voice from audience.]

The **Chairman**. Oh. So, there is no problem, right? But how much time do we have to change the law? When do they start cranking up down at Treasury?

Secretary **Dole**. Well, we have been told, in the past, a minimum of a 2-months lead time.

Mr. **Barnhart**. The time is needed to get all of the forms printed and distributed to the States, et cetera. Under the act truckers must now show proof of payment of their use tax in order to be issued their State licenses. I would think that they would need at least 2 months lead time.

The **Chairman**. Senator Boren, do you have questions?

Senator BOREN. Yes, Mr. Chairman. I would like to submit a statement also for the record, a full statement in regard to the diesel differential bill which I have cosponsored.

I would just like to ask: Under the weight-distance option considered by the Department, wouldn't there be an enforcement problem in terms of a tax on business traveled by a truck? Wouldn't that be difficult to determine in terms of enforcement?

Secretary DOLE. We have not recommended the weight-distance, because at this point fewer than a dozen States have this. Actually, I don't think there is a way that that could be put into force in July of this year. It might be something to consider on down the road, as the procedure is worked out. But we are certainly not at that point now.

Senator BOREN. So, at this point in time you would agree that there would be enforcement problems with that?

Secretary DOLE. That's right. It's not possible, as far as I can see, at this point.

Senator BOREN. With that option.

Secretary DOLE. That's right.

Senator BOREN. In terms of the study you have done and in terms of trying to allocate highway damage attributable to classes of vehicles, did the Department also consider, other than the weight factor, other factors that have increased damage in terms of the dollars that are necessary to repair our transportation network, due to weather, and other conditions as well?

Secretary DOLE. Yes, we did.

Senator BOREN. Has that been deducted from the amount attributable?

Secretary DOLE. Yes, that was one of the factors, and it definitely was figured in and spread across the classes.

Senator BOREN. Again, in determining fairness, I am told that the study done recently by the Joint Tax Committee indicates that the trucking industry ranked highest of all U.S. industries in effective tax rate. I believe it averaged out at 40.3 percent during the years 1980 through 1982. Has that been considered as the relative effective tax rate of the trucking industry compared to other industries? I am just citing the Joint Tax Committee study. Has that been considered in terms of what is equitable to ask the industry to bear?

Secretary DOLE. The focus here, Senator Boren, was our concern for the highways, for the damage done to the highways, the repair and rehabilitation of highways. So the relative tax rate really was outside of the framework of this analysis.

Senator BOREN. Well, Mr. Chairman, I want to commend the Secretary for the outstanding preparation of this report to consider alternatives to the heavy vehicle use tax that is scheduled to go into effect. I feel very strongly that we must find alternatives that are fair, and of course I have an opinion already as to what the fairest option is.

But I certainly appreciate the responsiveness of the Department moving forward with this study, and I want to commend you for your efforts in that regard.

Secretary DOLE. Thank you very much.

The **Chairman**. I think you may have no further questions. Is there anything else you would like to add, Madam Secretary?

Secretary **Dole**. No; we look forward to working with you to find some answers to these questions quickly, Mr. Chairman.

The **Chairman**. Again, we have a number of witnesses. It looks like you may get home first tonight, so you know what to do. [Laughter.]

The **Chairman**. Thank you very much.

Secretary **Dole**. Thank you.

The **Chairman**. We have a number of Senators. If it is all right with the GAO witness, we might have our panel of Senators—Senator Abdnor, Senator Cochran, Senator Jepsen, Senator Pressler, Senator Helms, and Senator Trible. Now, they are not all here, but I see three of those Senators, and we would like to accommodate them.

While you are taking your seats, I will escort the Secretary out. [Laughter.]

The **Chairman**. I wonder if you might go alphabetically.

I think Senator Abdnor introduced the first bill with reference to this problem, followed closely or at the same time by Senator Helms' and Senator Pressler's. We can start with Senator Abdnor then Senator Helms, then Senator Pressler.

STATEMENT OF HON. JAMES ABDNOR, U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator **Abdnor**. Thank you, Mr. Chairman and Senator Long. I am sure I don't command the respect here that the preceding witness did, in more ways than one—not only as Secretary of Transportation, but somehow I think she probably runs the household.

I do appreciate this chance to testify. And, Mr. Chairman, you are right. My concern about the heavy user fee began when the [STAA] was passed, in December 1982.

In addition to raising the motor fuel taxes from 4 cents to 9 cents per gallon, the STAA raised the heavy truck use tax from a straight scale of $3 per thousand to a progressive scale increasing the rates for heavier trucks, requiring a maximum fee of $1,600 in 1984 and $1,900 in 1988.

In voting for the STAA, my colleagues and I realized that our Nation's highway system was in serious disrepair and needed rehabilitation. We realized that by creating additional revenue to improve our Nation's highways, unemployment would be eased by putting people back to work, and, furthermore, we recognized that road and bridge improvements would benefit our interstate commerce system, contributing significantly to economic activity.

But at the same time, though, Congress severely undercut a major industry within our economy, the trucking industry. The STAA mandated that the maximum user fee be increased 666 percent in 1984 and even more in succeeding years.

When the conference report of the STAA was considered late in the 97th session of Congress, I expressed my grave concern about the heavy vehicle user fee. As a matter of fact, Mr. Chairman, I am sure you will recall the problem I was to you. I kept reminding you as well as Majority Leader Baker that I was unhappy about the fee and would be back with a proposal of my own. You gentlemen assured me I would have an opportunity at a later time to state my case for a change, and it was under that condition that I supported the bill.

Although I am in favor of assessing those who do the most damage to our highways, I do not believe that heavy use taxes assess fairly this wear and tear, nor do I believe those who pay this tax will be treated equitably.

For these reasons, I introduced S. 113, the Highway Tax Equity Act of 1983 on January 26, 1983. As you mentioned earlier, I was the first member of the Senate or the House to introduce legislation to deal with the problems created upon the passage of STAA.

My legislation calls for the repeal of the heavy vehicle user fee and replaces that revenue with a phased-in increase in the Federal tax on diesel fuel by 2 cents 1 year and 3 additional cents the following year. The diesel tax increase would not be applicable to cars, vans, pickup trucks, or farm vehicles. Under my legislation, heavy vehicles, which travel more miles using more fuel, thereby will pay their appropriate share for the maintenance of our highways.

My pay-as-you-go approach will distribute more equitably the burden of maintaining our Nation's highway system.

My legislation has garnered widespread support from truckers in my home State of South Dakota as well as from across the Nation. Truckers recognize the need to pay their fair share and are willing to do so, but under the current system there is no equity at all.

One of the basic problems with the heavy user fee is that it is not a user fee at all. In no way does a standard user fee, assessed equally on every heavy truck in the country, reflect the wear and tear imposed upon our roads and highways. Under the current system, every vehicle owner will pay the same outrageously high tax, whether he is a seasonal trucker who travels 10,000 miles a year or a full-time and long-haul trucker that rolls over 100,000 miles a year.

I am pleased that other diesel-differential bills identical or similar to my own have been brought forth, since I recognize the need to address the problem created by the heavy vehicle user fee. I urge the committee to take swift action to remedy the user fee problem and replace the fee with an equitable system of taxation.

The trucking industry has suffered and endured much in recent years. Deregulation has shed both sunshine and gloom into the industry, but the issue of deregulation should not be argued here today.

We must consider, however, the economic vitality of the trucking industry and the effects of the user fees, if imposed.

Furthermore, we must consider fairness in taxation. I believe the record shows clearly that there is no fairness involved in a standard user fee, and that the fee must be replaced by a more equitable system. My legislation, S. 113, or similar bills, provide for a much more equitable system and should be given your careful attention and consideration. To do less would be to neglect an industry which is suffering under economic pressure and which is the lifeline of our precious transportation system.

Mr. Chairman, I sincerely thank you for this opportunity.

The **Chairman**. Thank you very much, Senator Abdnor. As you have indicated, in response to your request and the requests of Senator Helms and Senator Pressler and many other Senators, we did request the GAO study, and that is why we are here today.

I recall, I think Senator Helms is next, I remember after the vote on the bill which you voted against, I remember seeing a little TV skit from North Carolina where I think you were in a truck stop. And I think the truckers properly expressed their concern about the very, very heavy use tax, particularly when they weren't working. And that's why we have tried to reach some accommodation with the Department of Transportation. Maybe we can do more, I don't know. But we are very pleased to have you, Senator Helms, with us today.

STATEMENT OF HON. JESSE HELMS, U.S. SENATOR FROM THE STATE OF NORTH CAROLINA

Senator **Helms**. Thank you, Mr. Chairman. It has been a lot of fun being at the first public meeting of probably the country's best-known limited corporation, Dole and Dole. [Laughter.]

I have got to put in the record that no mention has been made as yet that the Secretary is from North Carolina, but we have to advertise all of our exports.

The **Chairman**. That's right.

Senator **Helms**. I do appreciate the opportunity to be here. I know that you want us to be brief, and I ask unanimous consent that all of my statement be put in the record. Just let me refer to two or three parts, then I'll be gone.

I would like to touch on a number of issues, of course, arising from the enactment of the so-called gas tax bill which was produced by that lame-duck session in 1982. The Chairman has alluded to a piece of legislation, S. 15, which I have introduced to repeal the entire bill, but just let me confine my remarks today to the issue at hand, namely, the effect of the truck tax increases on the men and women of this country who make their living hauling goods from place to place.

These are the people, as everybody knows, who feel the bite of the increased taxes that Congress approved; the people whose livelihoods are at risk. Fortunately, Mr. Chairman, you and others are taking action in this regard. There is time yet to save many of these truckers from certain financial disaster.

The highway use tax for truck fleets of more than five vehicles will increase significantly next July, and the increase on truck fleets of five or fewer vehicles will take effect July 1, 1985. So we still have time to modify the tax structure and save countless small firms and independent operators from going out of business.

Now, Mr. Chairman, in my statement I discussed some of the technical aspects of the situation, but that will be included in the printed record, and I won't go into that here. But I will say that I have studied the report to Congress, "Alternatives to Tax on Use of Heavy Trucks," which was issued by the Department of Transportation; as the chairman well knows, this report examines a number of alternatives that Congress might take. I am not here to support any of these alternatives; I want to study them all and think about it. But I am anxious that they be examined, and I'm grateful to you and other members of this committee for taking the appropriate action. I am grateful for the opportunity to appear here today.

Thank you very much, Mr. Chairman.

[Senator Helms' prepared statement follows:]

STATEMENT OF SENATOR JESSE HELMS

Mr. Chairman, I appreciate the opportunity to testify before this distinguished Committee today. I am grateful to you, Mr. Chairman, for your cooperation in setting up these hearings, because as you well know, the future of many of our truckers hangs in the balance.

I shall be brief, Mr. Chairman. I would like to touch on a number of issues arising from enactment of the so-called "gas tax bill," which Congress approved during the lame duck session of Congress in 1982. (The Chairman knows that I have introduced a bill, S. 15, to repeal the entire bill.) I shall, however, confine my remarks today to the issue at hand; namely, the effect of the truck tax increases on the men and women of this country who make their living hauling goods from place to place. These are the people who will feel the bite of the increased taxes Congress so hastily approved—the people whose livelihoods are at risk.

Fortunately, Mr. Chairman, there is yet time to save many of these truckers from certain financial ruin. The highway use tax for truck fleets of more than five vehicles will increase significantly next July, and the increase on truck fleets of five or fewer vehicles will take effect July 1, 1985. So we still have ample time to modify the tax structure and save countless small firms and independent operators from going out of business.

Prior to enactment of the gas tax bill, the heavy user fee was $3 per every 1,000 pounds gross vehicle weight for trucks over 26,000 pounds gross vehicle weight. The new rates are as follows:

Truck weight	Tax rate
Under 33,000 GVW	0.
33,000 to 55,000 lbs. GVW	$50 + $25/1,000 lbs. GVW in excess of 33,000 lbs. GVW.
55,000 to 80,000 lbs. GVW	$600 + $40[1] /1,000 lbs. GVW in excess of 55,000 lbs. GVW.
More than 80,000 lbs. GVW	$1,600[2]

[1] Rate increases over four years as follows: $40, $44, $48, $52.

[2] Rate increases over four years as follows: $1,600, $1,700, $1,800, $1,900.

Mr. Chairman, these rates are clearly too high, and they are not fairly apportioned. Under previous rates, an 81,000 pound truck would pay $243 dollars per year. Under the new rates, the tax would increase to $1,600 the first year, then to $1,700, $1,800, and finally $1,900 in successive years.

Mr. Chairman, I have studied the Report to Congress "Alternatives to Tax on Use of Heavy Trucks" issued recently by the Department of Transportation. This report examines a number of alternatives Congress might take. I am not here in support of any particular alternative, Mr. Chairman, but I am anxious that they be examined in greater detail and that appropriate action be taken.

Again, I thank my distinguished colleague from Kansas, and I look forward to working with him in an effort to save some of our truckers from financial disaster.

The CHAIRMAN. Thank you, Senator Helms.

I know Senator Helms has a time problem. Do either you or Senator Long have questions of Senator Helms?

Senator SYMMS. I would like to ask Senator Helms one question with respect to the farm interest in this. As a farmer myself, I know that we have a self-imposed tax in Idaho, and Washington State and other places in the Northwest, on apples, so that we have funds to promote those same apples. And it is interesting to note that as farmers what we have done is to impose a tax per bushel. We don't have a tax per tree, because some years the trees don't have any apples on them. I think that is really what you are saying about the trucks.

Senator **Helms**. That is correct.

We have the same thing, of course, as to our major commodities in North Carolina.

Senator **Symms**. And the way this is written, DOT No. 4, I notice that the Farm Bureau and the Grange and others are supporting this. Would you think, in general, most farmers in the country would favor what is being done here today, as the chairman of the Agriculture Committee?

Senator **Helms**. Senator, I have no reason whatsoever to doubt that that is the case, but all of the returns are not in yet. But I believe you are correct.

Senator **Symms**. Well, I sure thank you very much for being here with us and encourage you for the fine job you do reprepresenting those interests of the working producers from not only your State but in the Nation. We appreciate having you here.

Senator **Helms**. Thank you, Senator.

Thank you, Mr. Chairman.

Senator **Long**. Glad to see you here today, Jesse.

Senator **Helms**. I'm glad to see you here.

The **Chairman**. Senator Pressler has been another leader in the effort to get some change. Again, everybody may not agree, but as I said in my statement, I tried to discuss diesel differential earlier when we were first considering this, and there weren't any takers. Now there seems to be a great interest in that concept. Some would like a higher diesel differential and no tax at all, but we do have some highway problems, and we hope that we can work out some fair concept.

We want to thank you, Senator Pressler, for your being here and for your continued interest and effort.

STATEMENT OF HON. LARRY PRESSLER, U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator **Pressler**. Thank you, Mr. Chairman.

I shall be fairly brief, and I shall summarize my statement because much of what I have to say has been said in one form or another. I, too, introduced a bill on the first day of the 98th Congress to address this.

I chaired a truck hearing, in the Commerce Committee, in South Dakota. Here is the problem from South Dakota's point of view:

Many of our truckers go less than 50,000 miles a year. It is a farmer who owns a truck and who goes less than 50,000 miles but who hauls his products, or his neighbor's products, or it is a small independent trucker who might go 60,000 to 70,000 miles a year. This is in comparison to the big, regulated truckers who go 200,000 to 250,000 miles a year. And the small trucker or the farmer is paying just as much tax as the fellow who goes 200,000 miles a year. That's the problem.

Now, everybody agrees that we have got to fix up the roads. We also have to keep revenue neutral—and I admire very much that the Finance Committee is trying to balance the budget. We all are. We can't lower the revenue. I think whatever we do, we should not lower the revenue. But we need to get some equity built in, and that is the reason for the desire for this diesel tax.

I am somewhat concerned about the Department of Transportation tax proposal. The Department of Transportation tax proposal is a far cry from the reality of the transportation industry I recently chaired hearings in Sioux Falls, SD, to assess the condition of the trucking industry. It was not a very rosy picture, very frankly. One of the chief concerns of those testifying was the devastating impact this tax would have on their industry and their customers. Not only would it destroy a vital element in our transportation link, but this would result in higher consumer costs for virtually every product hauled by truck.

Let me emphasize that I think it is important that our final legislation be revenue neutral, as the chairman of this committee has requested. We cannot afford less with today's ballooning deficits. We can reach that goal by a much more balanced approach than the $650 plus 6 cents per gallon tax compromise offered by the Department of Transportation. We can more than match the goal by maintaining the current $240 maximum user fee and a 5-cent diesel tax.

For this reason, I have decided at this time to oppose the compromise, but as time goes on I am sure it will be amended.

Those are basically my thoughts. I think that what the committee is trying to do is to take care of the farmer or rancher who has a truck, the small independent trucker who doesn't go the 200,000 miles a year but is a 50,000-mile-a-year man. I think that is a very appropriate thing to do, because if we could add it all up that would be more vital to the commerce of this country.

Thank you very much, Mr. Chairman.

[Senator Pressler's prepared statement follows:]

ALTERNATIVES TO HEAVY USER FEES
STATEMENT BY U.S. SENATOR LARRY PRESSLER
BEFORE THE SENATE FINANCE COMMITTEE
FEBRUARY 9, 1984

MR. CHAIRMAN, LET ME BEGIN BY THANKING YOU FOR HOLDING THESE IMPORTANT HEARINGS TODAY, AND FOR ALLOWING A REPRESENTATIVE FROM THE SOUTH DAKOTA TRUCKING INDUSTRY TO TESTIFY ON THE EFFECTS THIS LEGISLATION WOULD HAVE ON THE INDUSTRY IN MY HOME STATE.

AS YOU KNOW, THIS LEGISLATION HAS BEEN ONE OF MY PRIORITY ISSUES, AND I AM PLEASED TO SEE THAT WE ARE MAKING PROGRESS ON REPEALING THIS UNFAIR TAX. IF THE LEGISLATION PASSED IN LATE 1982 GOES INTO EFFECT AS SCHEDULED ON JULY 1, 1984, THOUSANDS OF SMALL TRUCKERS IN SOUTH DAKOTA AND THROUGHOUT THE UNITED STATES WILL BE LITERALLY FORCED OUT OF BUSINESS OVERNIGHT.

ON THE FIRST DAY OF THE 98TH CONGRESS, I INTRODUCED LEGISLATION TO REPEAL THE 800 PERCENT INCREASE IN HEAVY USER FEES AND MAKE UP THE ENTIRE REVENUE DIFFERENTIAL WITH A FOUR CENTS ACROSS-THE-BOARD DIESEL TAX. SINCE THAT TIME, OTHER LEGISLATION HAS BEEN INTRODUCED--SOME OF WHICH I SUPPORTED--AND I UNDERSTAND THE DEPARTMENT OF TRANSPORTATION HAS RECENTLY PROPOSED A SO-CALLED "COMPROMISE" OF A $650 MAXIMUM HEAVY USER FEE PLUS A SIX CENTS DIESEL DIFFERENTIAL. WHILE IT IS ENCOURAGING TO SEE THAT THE DEPARTMENT OF TRANSPORTATION HAS REALIZED THE NEED TO COMPROMISE, I DO NOT BELIEVE THAT THIS ALTERNATIVE ADEQUATELY ADDRESSES THE PROBLEMS FACING THE SMALL AND INDEPENDENT TRUCKERS.

WE HEAR A LOT OF TALK ABOUT "COST ALLOCATION STUDIES" AND "HEAVY USERS" AND "EQUITY", BUT I CAN'T HELP BUT WONDER WHAT SOME OF THE BUREAUCRATS ARE THINKING WHEN THEY PRODUCE NUMBERS LIKE $2700, $1900, $1600 OR EVEN $650 PER YEAR AS AN "EQUITABLE" COST ALLOCATION" TO THE "HEAVY USERS."

MANY OF THE SMALLER TRUCKERS IN AMERICA--ESPECIALLY IN STATES LIKE SOUTH DAKOTA--TRAVEL FEWER THAN 50,000 MILES PER YEAR. SOME TRAVEL APPROXIMATELY 100,000 MILES, BUT TRUCKS OF MOST BIG TRUCKING COMPANIES TRAVEL 150,000, 200,000, OR EVEN 250,000 MILES IN THE SAME YEAR. TO CHARGE THEM ALL THE SAME BASE RATE PER YEAR IS GROSSLY UNFAIR. BUT THEN TO ADD INSULT TO INJURY BY CALLING IT AN "EQUITABLE" TAX BASED ON AN "ACCURATE COST ALLOCATION" IS SIMPLY OUTRAGEOUS.

LET ME USE AN ACTUAL EXAMPLE OF A TYPICAL INDEPENDENT TRUCKER FROM SOUTH DAKOTA TO ILLUSTRATE THIS PROBLEM. LAST YEAR, HE TRAVELED JUST UNDER 50,000 MILES. HIS TRUCK CONSUMED DIESEL FUEL AT 5 MILES PER GALLON, FOR A TOTAL OF 10,000 GALLONS. NOW, HE HAS SHOWN ME HIS FINANCIAL RECORDS, AND I CAN ASSURE YOU THAT A $1600 TO $1900 ONE-TIME USE TAX WOULD PROBABLY PUT HIM OUT OF BUSINESS. APPLYING THE $650 PLUS SIX CENTS PER GALLON DEPARTMENT OF TRANSPORTATION "COMPROMISE," HE WILL STILL BE FORCED TO PAY $1250 IN ADDITIONAL TAXES. WE COULD JUST AS WELL LEAVE THE $1600 TO $1900 TAX IN PLACE, BECAUSE HE WILL GO BROKE UNDER THE SO-CALLED COMPROMISE, TOO.

TOO OFTEN THESE BUREAUCRATIC STUDIES DONE IN SOME WASHINGTON OFFICE OVER-GENERALIZE BY USING AGGREGATE INDUSTRY FIGURES, WHILE THE INDIVIDUAL SMALL BUSINESSMAN OUT IN THE REAL WORLD IS FORGOTTEN.

THIS OUTRAGEOUS TAX INCREASE WILL PUT THOUSANDS OF SMALL BUSINESSMEN IN MY HOME STATE OF SOUTH DAKOTA AND ACROSS THE COUNTRY OUT OF BUSINESS. WE HAVE A RESPONSIBILITY TO STAY IN CLOSE TOUCH WITH THOSE WE SERVE, AND TO SHAPE POLICY ACCORDINGLY.

THE D.O.T. TAX PROPOSAL IS A FAR CRY FROM THE REALITY OF THE TRANSPORTATION INDUSTRY. I RECENTLY CHAIRED SENATE HEARINGS IN SIOUX FALLS, SOUTH DAKOTA TO ASSESS THE CONDITION OF THE TRUCKING INDUSTRY. IT WAS NOT A VERY ROSY PICTURE. ONE OF THE CHIEF CONCERNS OF THOSE TESTIFYING WAS THE DEVASTATING IMPACT THIS TAX WOULD HAVE ON THEIR INDUSTRY AND THEIR CUSTOMERS. NOT ONLY WOULD IT DESTROY A VITAL ELEMENT IN OUR TRANSPORTATION LINK, BUT THIS WOULD RESULT IN HIGHER CONSUMER COSTS FOR VIRTUALLY EVERY PRODUCT HAULED BY TRUCK.

BUT LET ME EMPHASIZE THAT I THINK IT IS IMPORTANT THAT OUR FINAL LEGISLATION BE REVENUE NEUTRAL. WE CANNOT AFFORD LESS WITH TODAY'S BALLOONING DEFICITS. WE CAN REACH THAT GOAL BY A MUCH MORE BALANCED APPROACH THAN THE $650 PLUS SIX CENTS PER MILE TAX "COMPROMISE" OFFERED BY THE DEPARTMENT OF TRANSPORTATION. WE CAN MORE THAN MATCH THAT GOAL BY MAINTAINING THE CURRENT $240 MAXIMUM USE TAX AND A FIVE CENTS DIESEL TAX.

FOR THIS REASON, I HAVE DECIDED TO OPPOSE THIS "COMPROMISE" AND PUSH FOR A MORE REASONABLE AND TRULY EQUITABLE APPROACH TO THIS PROBLEM. I URGE THE MEMBERS OF THE SENATE FINANCE COMMITTEE AND ALL MY COLLEAGUES TO DO THE SAME.

THANK YOU.

The **Chairman**. Thank you, Senator Pressler.

As you indicated, there may be some change. I don't think so. We also have to do equity between the different classes of trucks that use the highways, and we think maybe No. 4 of DOT is not exactly what we will come up with, but it is endorsed by the wheatgrowers and the Grange and the national farm cooperatives. I should think that most farmers, when they study this with farm truck operators, would think that's a fair option. But obviously we are open to any suggestion, and we appreciate very much your comments.

Senator Symms?

Senator **Symms**. Thank you very much, Senator, and I want to thank you and your colleague both.

What you are saying, if I hear you correctly, is that most of the farm trucks in the Plains States would come under the 55,000 licensing legislation.

Senator **Pressler**. That's right. I think that we have a different thing out there.

Senator **Symms**. The ones that don't, that are heavier, do you not drive them that far, anyway?

Senator **Pressler**. Yes. The small businessmen, the farmers, the trucker in a small town who hauls his neighbor's livestock to the market or hauls grain, who isn't really in the interstate trucking business, is hit hardest by this tax. And he is willing to pay a diesel differential, he is willing to give his part; but he doesn't use those roads a fourth as much as some of the big interstate truckers, and I think that everybody realizes the equity of that.

Perhaps coming from South Dakota, I am more aware of the small businessman, the small farmer and rancher, some of those situations where you have truly small enterprise that remains. And I think that is probably true in Idaho and Kansas.

So we are looking for fair treatment. We want to pay the tax, but on a basis that is reflective of the amount that they use the roads.

Senator **Symms**. Thank you very much.

The **Chairman**. Senator Long, do you have any questions of Senator Pressler?

Senator **Long**. No; thank you, Mr. Chairman.

The **Chairman**. We next have a panel consisting of two Members of the House, Congressman Bill Frenzel, who was here just a few days ago and liked it so well he is back again, and Congressman Andy Ireland, who is on his way.

So, Congressman Frenzel, you may proceed in any way you wish.

STATEMENT OF HON. BILL FRENZEL, U.S. REPRESENTATIVE FROM THE STATE OF MINNESOTA

Mr. **Frenzel**. Thank you, Mr. Chairman.

I have furnished the committee a statement which I hope will be a part of the record.

Mr. Chairman, most parties to this hearing seem to agree that the use tax in the current law is unfair and uneconomical and that it needs to be replaced. I am one of many House authors of a bill to provide for a diesel differential which calls for a complete differential to be paid by a diesel gallonage tax, without any highway use tax at all.

I believe, with some of your other witnesses here, that the diesel tax is the fairest way to operate. When you use weight only, as in the current law, you do not take into account any mileage, you do not take into account any axle weight, you don't take into account seasonal variations, you don't take the needs of the small operator who cannot make large payments at one time, nor do you take into account the condition of the industry in all of its manifestations.

So I believe that the gallonage tax answers all of those questions properly.

Even when you take the recommendation described by the Secretary of Transportation, you only take these into consideration partially. I think what bothers me particularly is the 55,000-pound cutoff, where if you are under 55,000 you would pay no use tax, and yet you may, and in many cases will, have a heavier axle load on that highway which the Department has for years told us is more destructive than total weight.

Now, the DOT has done us all a favor by producing the report. We will be considering it. I think it is fair to say that there has been far more interest in the diesel differential in the House—more than half the Members are sponsors, more than half the Members of the taxwriting committee in the House are sponsors, as well.

We are trying to work things out with the Department of Transportation; however, at the moment we believe that a complete substitution is the fairest and best way.

One other thing I would say, Mr. Chairman. It is my recommendation that no one proceed until we have figures from the joint committee with respect to the revenue raised. The figures that have been presented to the committee today come from the Department of Transportation. They may be good. In my judgment, particularly with reference to the complete substitution, where the Department feels 9 cents is necessary, in my judgment you will find quite a different figure when the Joint Committee comes with its numbers.

Senator **Symms**. Bill, what do you mean "the complete substitution"? Go straight to a 9-cent diesel differential?

Mr. **Frenzel**. Yes. In my judgment it won't take 9 cents to achieve revenue neutrality, at which altar we have all decided to worship. [Laughter.]

Senator **Symms**. Do you think 9 cents, with no heavy use taxes?

Mr. **Frenzel**. In my judgment it is probably pretty close to 7 cents. But this committee and others, and our committee, have always used the joint committee's estimates. I hope we will use them in the future.

Senator **Symms**. Well, I have to say, I agree with you. We are going to collect more money than we think, because you are going to get it all this way. But I don't know how you can prove it now.

Mr. **Frenzel**. The DOT says 150 million bucks percent. Maybe they are right, maybe they aren't. Who knows?

Also, with respect to the allocation study, while the Secretary is correct in saying many people have endorsed that, I think I am also correct in saying many people have condemned it. It stands as some kind of equity standard only because there isn't any other one. But I am not sure it's perfect, and I believe this committee should decide what is equity, and using whatever testimony that it can find.

You will hear some testimony later in the day from people who have to operate under all of these kinds of conditions, and I think they will tell you something quite differently.

Finally, Mr. Chairman, I want to pay tribute to Senator Abdnor, who already testified. The introduction of my bill was wholly due to his prodding me, and the results of his initiative, and my being a copycat rather than any brilliance on my part.

Thank you, Mr. Chairman.

[Mr. Frenzel's prepared statement follows:]

STATEMENT BY
THE HONORABLE BILL FRENZEL
ON
ALTERNATIVES TO THE HEAVY VEHICLE USE TAX
BEFORE THE SENATE FINANCE COMMITTEE
FEBRUARY 9, 1984

Mr. Chairman, thank you for providing me with the opportunity to testify on alternatives to the heavy vehicle use tax enacted as part of the Surface Transportation Assistance Act of 1982. As you know, I have introduced a bill on this subject, H.R. 2124, and Senator Wallop, a Member of this Committee, has introduced a companion bill, S. 1475. Our bill provides for a complete replacement of the heavy vehicle use tax with a more equitable tax based on the diesel fuel consumed by trucks.

In 1982, the main issue before the Congress was not really how the increase in truck taxes was going to be structured, but rather how much of an increase was going to be imposed on the trucking industry. Consequently, the general issue as to the inequities inherent in the heavy vehicle use tax was never fully considered.

Since the enactment of the increase in the heavy vehicle use tax, I have heard from what at times seems to be every trucker in the country. Generally, while they still think that the Department of Transportation allocation study was flawed, and that trucks are still being assigned too large of a proportion of the cost of maintaining our highway network, the majority of truckers appear to be resigned to paying a much larger share of the cost of our highway system. What they are adamantly, and uniformly, opposed to however, is the unfair method by which the tax is collected.

The current heavy vehicle use tax is indeed an unfair and inequitable method of taxation. It requires the trucker who travels short distances, such as 15,000 miles per year, entirely within one city, who rarely uses the interstate highway system to pay the same amount of heavy vehicle use tax as the long haul trucker who may travel 200,000 miles per year, almost exclusively on the interstate system. It requires the small trucker, who may keep one or two trucks in reserve, to pay the heavy vehicle use tax on those trucks in order to have them available to handle occasional overflow business. Worst of all, the heavy vehicle use tax requires a trucker to pay the tax whether he or she is working at all. If a trucker were clairvoyant, and could tell at the beginning of the year whether or not there would be sufficient work to justify paying the tax, this would not be a problem. However, with the advent of deregulation, coupled with the recently ended recession, there has been day-to-day uncertainty as to whether many smaller, independent truckers would be rolling.

It is true that these same problems existed before the enactment of the Surface Transportation Assistance Act. However, problems which are tolerable at a maximum tax rate of $240 per year can completely destroy a business at a maximum level of $1,900 per year.

Senator Wallop's and my bill attempts to resolve the equity problems inherent in the Surface Transportation Assistance Act by replacing the heavy vehicle use tax with an increase in the diesel fuel excise tax. This "diesel differential" approach, which is supported by most of the trucking industry and 240 Members of the House, would increase the excise tax on diesel fuel by 5¢ per gallon, from 9¢ to 14¢.

It was, and always has been, our intention to provide a revenue neutral substitute for the heavy vehicle use tax. Due to the delay in considering an alternative to the heavy vehicle use tax, and changing assumptions and economic conditions, it is clear now that our proposal as introduced is not revenue neutral, and changes will be necessary.

However, before any changes can be made to develop a revenue neutral substitute, the term "revenue neutral" must first be defined. In my judgment, there is only one way to define revenue neutral, and that is that the replacement for the heavy vehicle use tax must replace, dollar-for-dollar, the amount of revenue that the Joint Committee on Taxation projects the current law to raise. In other words, if the new economic assumptions show the trucking industry paying $10 more now than it was projected to pay in 1982, any substitute should also provide $10 more in revenue. The same should hold true if new assumptions show the trucking industry paying $10 less in revenue.

The purpose behind replacing the heavy vehicle use tax with a diesel differential is to provide a more equitable means of collecting taxes Congress has decided the trucking industry should pay. It is not to try to recalibrate the allocation of revenues among cars, light trucks, combination trucks, and heavy trucks to bring their respective ratios of the tax burden back into line with the ratios projected in 1982.

In conclusion, I would like to reiterate my main point, and that is that no action should be taken until we know how much revenue any given substitute will need to provide. The Joint Committee on Taxation, which provides the revenue figures on which virtually all tax legislation is based, has been working diligently on updating its models and projections to provide the Congress with up-to-date revenue numbers. It is my understanding that these new revenue projections will be completed within the next two weeks. In view of the magnitude of the revenue we are dealing with, and in view of the fact we are dealing with a replacement tax, and not an increased tax, I would strongly urge that any decisions on a possible substitute be delayed until after the Joint Committee on Taxation revenue figures have been provided.

Thank you again, Mr. Chairman, for providing me with the opportunity to testify on this important issue. You and the Members of your Committee are to be commended on holding these hearings, and I am hopeful that the issue can be resolved quickly once we have the updated revenue numbers.

The **Chairman**. Thank you very much.

Senator Long, do you have any questions?

Senator **Long**. No questions. Thank you very much.

The **Chairman**. Is Congressman Ireland here?

Voice. He is on his way.

The **Chairman**. Well, he is on his way, but we will go ahead with the next panel: Thomas A. Larson, secretary, Pennsylvania Department of Transportation, on behalf of the American Association of State Highway and Transportation Officials; and Don A. Wilson, distribution systems manager, dairy group, the Southland Corp., Dallas, TX, on behalf of the the Private Truck Council of America.

Following this panel we will have the GAO witness.

Let me suggest, if you can summarize your statements and highlight the important points, your entire statements will be made a part of the record.

We will proceed with Mr. Larson.

STATEMENT OF THOMAS D. LARSON, SECRETARY, PENNSYLVANIA DEPARTMENT OF TRANSPORTATION, ON BEHALF OF THE AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS, WASHINGTON, DC

Mr. **Larson**. Thank you, Mr. Chairman.

My name is Thomas Larson. I am representing the American Association of State Highway and Transportation Officials and also appearing as the secretary of transportation for the Commonwealth of Pennsylvania.

I would want to point out, also, that there is a very long tradition of cooperation between those who build and maintain highways and those who use highways, so we have a very intense and longstanding interest in this subject.

Last May we created a steering committee to conduct a study of motor carrier taxation and registration issues. We have provided the steering committee final report to members of the committee, and I have attached a copy to my testimony. This final report, we believe, analyzes the issues of taxation and registration facing heavy trucks in greater depth than has ever been done before.

With regard to the heavy vehicle use tax, our ASHTO executive committee has considered the advice of the steering committee, as contained in this document, and recommends the following:

First, no truck tax should be substituted for the current heavy vehicle use tax unless such tax raises at least equal revenues for highway purposes, provides at least equal equity, and is administratively efficient.

I think these are principles generally agreed on.

Second, a Federal weight-distance tax should be considered as a replacement for the heavy vehicle use tax and all other Federal highway user charges except fuel taxes. This tax should be designed to yield at least equal revenues for highway purposes and to provide equity among users.

Third, such a tax should be administered by state governments with Federal reimbursement for the costs involved.

In its analysis of the heavy vehicle use tax alternatives, the steering committee determined that the flat diesel differential tax now being considered in Congress DOT 1, reduces equity among vehicle classes more than the other alternatives. It thus moves away from the findings of the Federal highway cost allocation study, which ASHTO endorses, and has endorsed officially as a policy body.

It would significantly shift the cost responsibility of the heaviest trucks to other users, particularly light and medium trucks.

And there are other factors that I might mention very briefly:

We believe there is an evasion problem that would be developed as heating fuel, for example, becomes a substitute for truck fuel. Also, there is an administrative problem that we think would be severe, because there are more than 3.5 million cars and vehicles weighing less than 10,000 pounds as opposed to perhaps only 2.5 million trucks that will be impacted by this tax, under the original proposal.

The steering committee also determined that a weight-distance tax, substituting for the heavy vehicle use tax and excise taxes of the Surface Transportation Act, provides the greatest improvement in equity among and within vehicle classes than any other alternative considered. Moreover, this particular option eliminates the truck sales tax which the final report states has the greatest impact on small operators' cashflow and which is poorly related to cost responsibility, and which has relatively high administrative costs, since it was changed to a retail tax in the Surface Transportation Act of 1982.

In terms of the net sum of the annual administrative costs, compliance costs, and evasion costs, taking all these three together, a Federal weight-distance tax administered by the State is the only proposed alternative which would reduce the total of these annual costs, when compared to the existing heavy vehicle use tax.

I might mention in closing that the National Governors Association and a number of other State-interest organizations involved in truck matters has considered and developed a statement that is attached to my statement, basically covering the principles that I have set forth here.

I thank you very much for the opportunity to bring this testimony to you.

The CHAIRMAN. Thank you, Mr. Larson.

Mr. Wilson?

[Mr. Larson's prepared statement with attachments follows:]

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

WILLIAM A. ORDWAY, President
Director
Arizona Department
of Transportation

FRANCIS B. FRANCOIS
Executive Director

STATEMENT BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION
SENATE FINANCE COMMITTEE

Relating to
ALTERNATIVES TO THE TAX ON THE USE OF HEAVY TRUCKS IMPOSED BY THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

by

THOMAS D. LARSON

Secretary, Pennsylvania Department of Transportation

representing

The American Association of State Highway
and Transportation Officials

February 9, 1984

Founded in 1914, AASHTO represents the departments concerned with highways and transportation in the States, the District of Columbia, and Puerto Rico, to foster the development, operation and maintenance of an integrated national transportation system. The active members of AASHTO are the duly constituted heads and other chief directing officials of the member highway and transportation agencies.

EXECUTIVE OFFICE: 444 N. Capitol Street, N.W., Suite 225 Washington D.C. 20001 Telephone (202) 624-5800

Summary Testimony

My name is Thomas D. Larson. I am representing the American Association of State Highway and Transportation Officials, and also appearing as Secretary of the Pennsylvania Department of Transportation.

Last May we created a Steering Committee to conduct a study of motor carrier taxation and registration issues. We have provided copies of the Steering Committee Final Report to members of this Committee, and a further copy is attached to our testimony. The Final Report analyzes taxation and registration issues facing heavy trucks in greater depth than has ever been done before, and as such the information it contains should be of value to anyone dealing with the issues involved. It documents the issues involved with the various proposals that have been put forward by interested agencies and associations, and describes and evaluates the alternatives.

With regard to the heavy vehicle use tax, our AASHTO Executive Committee has considered the advice of our Steering Committee and recommends:

(1) No truck tax should be substituted for the current heavy vehicle use tax unless such tax raises at least equal revenues for highway purposes, provides at least equal equity, and is administratively efficient.

(2) A federal weight-distance tax should be considered as a replacement for the heavy vehicle use tax and all other federal highway user charges except fuel taxes. This tax should be designed to yield at least equal revenues for highway purposes and to provide equity among users.

(3) Such a tax should be administered by state governments with federal reimbursement for the costs involved.

In its analysis of the HVUT alternatives, the Steering Committee determined that the flat diesel differential tax now being considered in Congress reduces equity among vehicle classes more than any other alternative. It thus moves away from the findings of the Federal Highway Cost Allocation Study, which AASHTO endorses, and would significantly shift the cost responsibility of the heaviest trucks to other users, particularly light and medium trucks.

The Steering Committee also determined that a weight-distance tax, substituting for the HVUT and excise taxes of the STAA of 1982, provides the greatest improvement in equity among and within vehicle classes than any other alternative considered. Moreover, this particular option eliminates the truck sales tax, which the Final Report states has the greatest impact on small operators' cash flow, which is poorly related to cost responsibility and which has relatively high administrative costs since it was changed to a retail tax in the STAA of 1982. This option would also reduce the initial lump sum, front-end burden of truck sales and tire sales.

In terms of the net sum of annual administrative costs, compliance costs, and evasion costs, a federal weight-distance tax, administered by the states, is the only proposed alternative which would reduce the total of these annual costs when compared to the existing heavy vehicle use tax (HVUT).

Independently of but in coordination with our AASHTO Steering Committee, the National Governors' Association pulled together at the national level numerous state interest organizations involved in these truck matters. This group developed a Statement of Principles dealing with many of the same issues contained in the Steering Committee's Final Report. A copy of the Statement of Principles is attached, and it is compatible with the findings of our Final Report.

Mr. Chairman, my name is Thomas D. Larson, and I appear here in two capacities. First, I am representing the American Association of State Highway and Transportation Officials, and we are pleased to have this opportunity to express some of the views of our member departments about the issue you are examining. Secondly, I am also appearing as Secretary of Pennsylvania Department of Transportation.

Your announcement, Mr. Chairman, indicated that you want to receive testimony relating to alternatives to the tax on the use of heavy trucks. This issue and other issues related to the trucks operating on the nation's highways have occupied much of AASHTO's attention over the past year. We initiated a study last May under our Standing Committee on Planning, of which I am chairman, to make an in depth examination of truck taxation and registration issues, and named a Steering Committee to guide our study. This study has now been completed.

At the outset, Mr. Chairman, I would like to state that AASHTO is generally pleased with the Surface Transportation Assistance Act of 1982, that landmark legislation your Committee helped enact in December 1982. Although we are experiencing difficulty implementing some provisions of the Act, we continue to find that substantially all of the significant provisions are working effectively. This has occurred in large part because of an effective, determined partnership between the states and the Federal Highway Administration, and we are all indebted to the quality of leadership exhibited by the FHWA during this past year.

One of the areas where there is now some disagreement between the motor carrier industry and our member departments is over the issue of cost allocation. Mr. Chairman, we have previously submitted testimony to Congress outlining why we support the FHWA "Final Report on the Federal Highway Cost Allocation Study". We will not further burden the record at this time with the reasons for our support of the FHWA Study, but stand ready to respond to any specific questions you or members of the Committee may have.

In October 1983 our member departments passed a Resolution, titled "AASHTO Position on National Truck Taxes". A copy of the resolution is attached to this testimony. Our Policy Committee was concerned about then-pending legislative efforts to take action changing the heavy truck taxation provisions of the STAA of 1982. It was the judgment of our Policy Committee that such action should not take place until further information was available, including the results of our AASHTO study on motor carrier taxation and registration issues and the Section 513(g) report by the Department of Transportation. Both of these reports are now available, and have been delivered to Congress.

This Resolution concluded with the following final resolve:

> "...AASHTO urges that if changes are made on truck taxes that alternatives be based on an equitable type and weight of the taxed vehicle, and the amount of highway usage for these vehicles, and that the level of funds raised be no less than that authorized in the STAA."

This language was interpreted by some when it was approved as a flat-out AASHTO endorsement of a national weight-distance tax. That was not the case. The facts are as follows.

On November 21, 1982, our Policy Committee enacted a Resolution stating as follows:

> "...that a national weight distance tax be considered as a more equitable tax approach with the administration and collection to be structured at the state level with the states being reimbursed for their expenses in administration and collection, provided that no preemption of state laws establishing weight distance or ton mileage taxes occurs because of the establishment of a national weight distance tax."

This November, 1982 Resolution was not a recommendation that a national weight-distance tax be enacted, but only that it be considered. Since 1982 there has indeed been much consideration of a national weight-distance tax, and the matter is thoroughly discussed in both our Steering Committee report, and the Section 513(g) report just forwarded to Congress.

Looking again at our October, 1983 Resolution language as quoted above, it does not specifically identify either a weight-distance tax nor a ton-mileage tax, which by the way are very different in their impact on the motor carrier industry. Rather, it addresses itself to a tax alternative that would be "based on an equitable type and weight of the taxed vehicle, and the amount of highway usage for these vehicles". Such a taxation approach could take several different forms. A prime concern of AASHTO is that regardless of the specific form an alternative heavy truck tax might assume, that it be designed to take into account the weight of the vehicles and their usage of our highways, so that the resultant tax reflects the cost allocation principles that have been established by the FHWA report on cost allocation.

This is not to say that AASHTO may not ultimately recommend a Federal weight-distance tax. Indeed, this is one of the recommendations of the Steering Committee, a recommendation that is now undergoing review by our member departments.

One other prime concern held by the Association is also addressed in the attached third Resolution, the final phrase of which states:

> "...that the level of funds raised (by any alternative) be no less than that authorized in the STAA."

We believe that whatever alternatives might be considered to the heavy truck taxation provisions of the STAA of 1982, those alternatives ought to be revenue neutral to the Federal-Aid Highway program so that the ability to fund the authorization levels of the STAA is not adversely affected. It appears that there is general agreement among all parties to this concept, and we hope it will be maintained.

Returning again to our Steering Committee and its study of motor carrier taxation and registration issues, we engaged System Design Concepts, Inc. (Sydec) and Harold A. Hovey as consultants, and their Final Report was submitted December 31, 1983. On January 27, the Final Report was received by our Executive Committee. In a separate motion the Final Report was accepted, without the inclusion of the two proposed Resolutions contained in its preamble, and as accepted it can now be considered an AASHTO document. At their request, we have provided members of your Committee staff with copies of the Final Report, and we have also provided copies to members of this Committee [illegible] the record, a further copy is attached to this testimony.

The Steering Committee's two proposed Resolutions have not yet completed their necessary review process within AASHTO, which I will discuss later. What is important to emphasize here is that the Final Report of the Steering Committee analyzes taxation and registration issues facing our heavy trucks in greater depth than has ever been done before, and as such the information it contains should be of value to anyone dealing with the issues involved, whether at the federal or state level, within the motor carrier industry, or elsewhere.

There were two major reasons the AASHTO Policy Committee initiated this study at its meeting in May, 1983. First, the AASHTO Standing Committee on Planning had identified a number of specific trucking issues in its investigation of the impact of the STAA of 1982 on state transportation programs and revenues. Second, other public and private sector groups were developing alternatives to the heavy vehicle use tax provisions of the STAA of 1982, and proposals to achieve uniformity in state motor carrier taxation and registration procedures that could impact adversely on the states. Faced with this situation, AASHTO could either 1) take a passive role and simply react to and comment upon others' proposals, or 2) undertake its traditional active role where important public policy issues involving transportation are concerned by performing our own professional analyses and formulating policy positions. We chose the latter.

AASHTO's study of these issues was guided by a Steering Committee, which was chaired by Lowell K. Bridwell, Secretary of Transportation of Maryland. Serving on the Steering Committee with Mr. Bridwell were the chief administrative officers of 12 states, three states from each of AASHTO's four regions. They were, in addition to myself, George N. Campbell, Maine; John A. Clements, New Hampshire; Henry Gray, Arkansas; Paul N. Pappas, Florida; Thomas D. Moreland, Georgia; Warren B. Dunham, Iowa; Richard A. Ward, Oklahoma; Lowell B. Jackson, Wisconsin; Leo Trombatore, California; Joseph Dolan, Colorado; and Fred D. Miller, Oregon.

In performing the study, the Steering Committee and its consultant engaged in extensive consultations with shippers and carriers. In addition, surveys concerning the experience of individual states in motor carrier taxation and registration procedures were undertaken. In view of the diversity of state agencies involved in motor carrier taxation and registration, input from the various groups at the state level was an important aspect of the study.

In this connection, the National Governors' Association, acting as an umbrella group, pulled together at the national level numerous state interest groups involved in the issues. These groups included the National Association of State Budget Officers, the National Conference of State Legislatures, the National Association of Governors' Highway Safety Representatives, the

National Association of Regulatory Utility Commissioners, the Federation of Tax Administrators, and the American Association of Motor Vehicle Administrators, and representatives from these groups were added to our Steering Committee as ex officio members. The NGA effort is chaired by Secretary of Transportation Andrew Fogarty, of Virginia. Separate from the NGA initiative, each state was encouraged to develop a working group which would pull together the numerous agencies at their own state level.

The AASHTO Steering Committee, as noted, completed its work on December 31, 1983, and the Final Report provides detailed documentation of all the issues involved and documentation of the careful process followed by the Steering Committee and its consultant in considering the various proposals that have been put forward by interested agencies or associations, developing new alternatives based on this review, selecting a limited number of important options, and evaluating all important features of them.

Independently of but in coordination with the Steering Committee, the NGA group developed a Statement of Principles dealing with many of the same issues contained in the Steering Committee's Final Report. The Statement of Principles, with some amendments, was adopted January 20, 1984 by the Staff Advisory Council to the NGA's Committee on Transportation, Commerce and Communications. A copy of the Statement of Principles is attached, and it is compatible with the findings of the Final Report.

Study Recommendations

Based upon the analysis performed in the study, the Steering Committee has put forward recommendations in two areas: amendments to the heavy vehicle use tax (HVUT) enacted by the STAA of 1982, and a means to achieve uniformity in state motor carrier taxation and registration procedures. These recommendations are contained in the Final Report that was accepted by the AASHTO Executive Committee on January 27, and will be discussed by the AASHTO Policy Committee at its upcoming February 24th meeting.

HVUT Alternatives Selected for Detailed Study

Specifically, the Steering Committee examined 22 HVUT alternatives. As a result of this examination, the list was narrowed to three options which represented the broad range of alternatives put forward. These three options were then further analyzed in terms of their relative equity, administrative efficiency, and ease of compliance and enforcement, and are as follows:

(1) A flat rate diesel differential to replace the HVUT. For this alternative, a differential of 7.5¢ per gallon is estimated as the amount required to match the revenue which would be lost if the HVUT is eliminated on July 1, 1984. Under this alternative, the diesel fuel tax at the pump would be 16.5¢ per gallon, with rebates of the 7.5¢ per gallon differential being made to all vehicles weighing under 10,000 pounds.

(2) A weight-distance tax which substitutes only for the existing HVUT. This alternative was designed to yield the same overall 1983-1988 fiscal year revenues as the STAA of 1982, and to equal revenue to cost responsibility among truck classes insofar as possible, based on the Federal Highway Cost Allocation Study (FHCAS).

(3) A higher weight-distance tax which substitutes not only for the HVUT but also for other federal highway excise taxes on truck sales and tires. Like alternative (2), this alternative was designed to yield the same overall 1983-1988 fiscal year revenues as the STAA of 1982, and to equal FHCAS revenue to cost responsibility.

Both of the federal weight-distance alternatives were examined in terms of: (1) the states collecting the tax under federal guidelines, with administrative costs being covered by a fixed percentage of revenues collected, and (2) the federal government collecting the tax.

Analysis of HVUT Alternatives

All three HVUT options were compared to a base case which retains the tax structure contained in the STAA of 1982, and which yields revenues based on the most recent Treasury forecasts, or approximately $74 billion over the life of the bill.

In its analysis of the HVUT alternatives, the Steering Committee determined that the flat diesel differential reduces equity among vehicle classes more than any other alternative. It thus moves away from the findings of the FHCAS, which AASHTO endorses, and would significantly shift the cost responsibility of the heaviest trucks to other users, particularly light and medium trucks. In addition, the flat rate diesel differential:

- Creates greater incentive for evasion of taxes by use of heating oil and other means of avoiding the tax.
- Increases government's dependence on the fuel tax which may become a problem in the future as alternative fuels come into wider use.
- Creates inequities for special types of vehicles which have low fuel economy (e.g., trash compacting vehicles).
- Requires filing of claims for refunds for all diesel passenger cars and other vehicles under 10,000 pounds, through deductions on federal income tax filings, thus causing substantial delays in rebates of taxes paid.

Parenthetically, Mr. Chairman, I would note that in an analysis of the rebate situation made last week, it appears that by 1985 more people would be claiming refunds than would be paying a diesel differential tax. It appears that in 1985 there will be about 2.4 million trucks weighing more than 10,000 pounds, compared to 1.1 million weighing under that weight and 2.5 million diesel automobiles.

In its analysis the Steering Committee also determined that the weight-distance tax, substituting for the HVUT and excise taxes of the STAA of 1982, provides the greatest improvement in equity among and within vehicle classes than any other alternative considered. Moreover, this particular option eliminates the truck sales tax, which the Final Report states has the greatest impact on small operators' cash flow, which is poorly related to cost responsibility and which has relatively high administrative costs since it was changed to a retail tax in the STAA of 1982. This option would also reduce the initial lump sum, front-end burden of truck sales and tire taxes.

The Steering Committee then analyzed the issue of the best method to collect a weight-distance tax--at either the state or federal level. It determined that collection at the state level was clearly preferable for the following reasons:

- Evasion rates could be dramatically reduced by comparison with federal administration.
- Could lead to elimination of most retaliatory taxes.
- Provide states with the opportunity to enact piggyback weight-distance tax increments with their own tax rates at very little added administrative cost.
- Would encourage states to achieve greater equity in their tax structure, both among vehicle classes and within vehicle classes.
- Such a program could be integrated with other state truck tax programs, providing improved administrative efficiency and greater effectiveness in enforcement.
- Such a program would provide an opportunity to eliminate carrier fuel use taxes by adding an incentive for states to do so.
- Most of the available expertise and experience already exists within state agencies.

In terms of the net sum of annual administrative costs, compliance costs, and evasion costs, the Final Report notes that a federal weight-distance tax, administered by the states, is the only proposed alternative which would reduce the total of these annual costs when compared to the existing heavy vehicle use tax (HVUT).

Based upon the relative merits of the weight-distance option that substitutes for the HVUT and excise taxes of the STAA of 1982, the Steering Committee believed that this option meets the tests of relative equity, administrative efficiency, and ease of compliance and enforcement.

Uniform State Procedures

Presently, Mr. Chairman, a weight distance concept is utilized by ten states. Experience by these states discloses that administrative efficiency, and ease of compliance and enforcement would be enhanced if there was a uniformity among the states regarding information pertaining to truck registrations and mileage traveled on public highways. Moreover, regardless of which truck tax is imposed, if all states uniformily maintained the necessary information there would not only be an economy of scale, but also the work load for individual states and motor carriers would be reduced and evasion would be reduced. The AASHTO Steering Committee examined the issue of uniformity in state motor carrier taxation and registration procedures. In this connection, AASHTO recognizes that the existing multiplicity of permits required for interstate operations of trucks and the inconsistency and complexity of truck fee structures and rates creates an unreasonable burden on motor carriers, and creates considerable confusion and delay in the consistent, speedy collection of state fees. Also, charges and fee structures and amounts charged by individual states often create reciprocity in collection problems in other states.

The resolution of this issue is integrally related to changing the tax on the use of heavy trucks. One of the key recommendations of the U.S. DOT Section 19 report is that the Congress enact legislation creating a working group to develop an acceptable approach to national uniform truck regulation. Therefore, based on the belief that Congress will soon be addressing this issue, I would like to briefly explain a National Motor Carrier Tax Service Bureau concept developed and recommended by our Steering Committee.

As you know, Mr. Chairman, U.S. DOT Secretary Dole has had legislation introduced that would authorize her to establish a working group of state representatives to advise within 12 months on regulations to be promulgated dealing with uniform state registration and taxation procedures.

This bill would also allow the Secretary to reject summarily the working group's recommendations, and unilaterally promulgate federal regulations, preempting state authority in this area. This could set a precedent for potential future actions in other areas of state taxation.

In its examination and analysis of the uniformity issue, the AASHTO Steering Committee voluntarily took the initiative in bringing efficiency and uniformity to the state taxation system, while attempting to preserve states' rights to establish their own structure and the rates of motor carrier taxation. Following its lengthy analysis of the current situation, it specifically recommends as a solution to the problem the establishment of a National Motor Carrier Tax Service Bureau created by the states and assisted by the federal government. This Service Bureau would be a means to achieve uniformity in state tax procedures.

The Service Bureau would provide: data collection and maintenance services; administration of a multi-state agreement, including transfer of taxes due between states; enforcement of the agreement; and auditing services as needed. The approach would be designed to result in single licenses for truckers, base-state registration and reporting of mileage, and fuel use and base-state tax and registration payments. While state membership in the Service Bureau system would preferably be voluntary, it is likely that some form of federal legislative mandate would be needed to gain total participation and compliance.

Under the Steering Committee's recommendation, the state tax structure of all participating states would have to meet the following requirements:

- No truck would be required to display more than one license plate.
- A maximum of two cab cards would be required--one for base-state registration and one for state economic regulation--except for special situations such as oversized or hazardous cargoes.
- Only one form and payment would be required to be submitted for registration valid in all participating states.
- Only one form and payment (probably quarterly) would be required for carrier fuel use reporting and taxation, covering all participating states.
- States would be encouraged to adopt "one stop shopping" for all highway use tax payments and travel authority.

The Service Bureau, however, would in no way affect the states' ability to determine the structure or rates of taxes to be paid.

The functions of the Service Bureau would vary from a minimum required as a part of each state's participation in the agreement to a wide range of additional services that might be purchased by states on a voluntary negotiated basis. The minimum functions would include:

- Exchange of data from required reports of truckers and from all field data relating to enforcement.
- Maintenance of a data processing and clearinghouse system.
- Administration of the multi-state agreement.
- Development and adoption of standards for uniform administration and enforcement, including auditing and other items necessary to minimize tax evasion.
- Enforcement of standards under the agreement.

In developing the Service Bureau concept as a means to achieve uniformity in state taxation procedures, the Steering Commitee determined that current state practices result in multiple state registration and tax reporting requirements which cause higher administrative costs for states and higher compliance costs for motor carriers than necessary. It was also found that some groups are seeking to use this situation to eliminate certain state taxes, while others are seeking to use it to give unprecedented authority over state taxes and registration procedures to the federal government. And, finally, the Steering Committee found that the states have demonstrated in the International Registration Plan, that multi-state arrangements, which allocate tax revenues by mileage in each state, are feasible and reduce paperwork and reporting burdens for motor carriers without jeopardizing state revenues.

Mr. Chairman, on January 27 the AASHTO Executive Committee considered two Resolutions passed by the Steering Committee, copies of which is found in the Final Report. The Executive Committee amended the Resolutions, and copies of them as amended are attached. The Final Report, the Steering Committee's resolutions, and the two amended Resolutions will now be considered by our Policy Committee on February 24, 1984, and it will develop our AASHTO policy, which will require a two-thirds affirmative vote of the states for approval.

Briefly, the Executive Committee Resolution to be considered by our Policy Committee contains the following provisions:

HVUT Recommendations:

(1) No truck tax should be substituted for the current heavy vehicle use tax unless such tax raises at least equal revenues for highway purposes, provides at least equal equity, and is administratively efficient.

(2) A federal weight-distance tax should be considered as a replacement for the heavy vehicle use tax and all other federal highway user charges except fuel taxes. This tax should be designed to yield at least equal revenues for highway purposes and to provide equity among users.

(3) Such a tax should be administered by state governments with federal reimbursement for the costs involved.

Mr. Chairman, a key concern we have with any alternative to the heavy vehicle use taxes contained in the STAA of 1982, as I have noted, is the overall resultant impact on the Highway Trust Fund. But the HVUT situation is not our only concern about the Trust Fund.

Recommendations for State Procedure Uniformity:

With respect to the issue of uniformity of state regulation and taxation of motor carriers, the Executive Committee resolved as follows:

(1) There should be no federal restrictions on the ability of the states to enact and set the rates of major highway use taxes based upon registration, fuel purchase and use, and the weight of the vehicle and distance traveled.

(2) That uniformity be achieved at a minimum for registration and fuel use reporting through a system premised on base state reporting of mileage and fuel purchases by state. This system would cover both inter- and intra-state trucks and encourage a single institutional contact and a single form for reporting in each state. In addition, efforts to achieve uniformity specifically should exclude any proposal that would limit the states' ability to determine type and rate of taxation, such type and rate of taxation being equally applicable to interstate and intrastate trucking. There should be an institutional mechanism to administer and enforce the uniform system. This

institutional mechanism would have certain basic functions including data processing and central storage and retrieval, exchange of data from required reports of motor carriers and from all field data relating to enforcement, administration of a combined IRP and fuel tax, and establishment of standards for auditing and other items necessary to minimize tax evasion. The institutional mechanism would also perform additional functions on a voluntary negotiated basis as the states find necessary.

(3) A task force should be convened by the states to consider and recommend mechanisms by which the states can implement the concepts stated above. This task force should involve representatives of AASHTO, the NGA and other interested organizations of state officials including regulatory commissioners, tax administrators, vehicle administrators and legislators.

(4) The institutional mechanism adopted by the states should not involve perpetual subsidies from any state to any other state.

(5) AASHTO supports federal legislation to ensure that the policies listed above are, within a reasonable time, adopted by all the states.

(6) These actions represent positive steps on the part of the states to address the fundamental issues of uniformity in truck taxation and registration. Further, these actions provide the necessary framework for resolving issues without the necessity of federal preemptive legislation.

I would again point out that neither the Steering Committee nor the attached Executive Committee Resolutions constitute AASHTO policy. That policy will be developed on February 24, 1984 by the Policy Committee.

Mr. Chairman, we appreciate the opportunity to provide you and your Committee with our observations and recommendations. As always, we will be pleased to be of further assistance wherever possible.

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

HENRY GRAY, President
Director
Arkansas State Highway and
Transportation Department

FRANCIS B. FRANCOIS
Executive Director

RESOLUTION ON
UNITED STATES DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY COST ALLOCATION STUDY

Passed by the Policy Committee in their meeting November 21, 1982

WHEREAS, the United States Department of Transportation has completed the "Final Report on the Federal Highway Cost Allocation Study" in response to Section 506 of the Surface Transportation Assistance Act of 1978; and

WHEREAS, the study methodology has been reviewed and evaluated and is considered to be an improvement over past cost allocation studies, in that it takes into account resurfacing and rehabilitation to preserve and protect existing highways; and

WHEREAS, the study is based on projected needs which are generally in accord with the American Association of State Highway and Transportation Officials' "Program for America's Highways in the '80's"; and

WHEREAS, the study appears to be unbiased in allocation of cost among the various classes of vehicles to attain equity and reflects the cost imposed on the highway system by that class; and

WHEREAS, the findings of the report show that heavier vehicles are not paying their fair share of highway costs and increased user charges are recommended on the heavier type vehicles; and

WHEREAS, the study recognizes that highway user taxes should be easily administered and should be graduated as a function of weight rather than remaining constant across all weights, and also recognizes that a weight distance tax could contribute significantly to a fairer and more efficient tax structure.

NOW THEREFORE, the Policy Committee of the American Association of State Highway and Transportation Officials acting at its November 21, 1982, meeting in Orlando, Florida, concurs in the findings of the Federal Highway Cost Allocation Study and recommends that legislation be enacted as soon as possible to assure that the various classes of highway users pay heir fair share of the cost. It is further recommended that a national wieght distance tax be considered as a more equitable tax approach with the administration and collection to be structured at the state level with the states being reimbursed for their expenses in administration and collection, provided that no preemption of state laws establishing weight distances or ton mileage taxes occurs because of the establishment of a national weight distance tax.

AASHTO POSITION ON NATIONAL TRUCK TAXES

Approved by AASHTO Policy Committee

on October 2, 1983

WHEREAS, the Policy Committee of the American Association of State Highway and Transportation Officials acting at its November 21, 1982 meeting in Orlando, Florida, concurred in the findings of the Federal Highway Cost Allocation Study and recommended that legislation be enacted as soon as possible to assure that the various classes of highway users pay their fair share of the cost; and

WHEREAS, the Policy Committee of AASHTO acting at its November 21, 1982 meeting in Orlando, Florida, also recommended that a national weight distance tax be considered as a more equitable tax approach with the administration and collection to be structured at the state level with the states being reimbursed for their expenses in administration and collection, provided that no preemption of state laws establishing weight distance or ton mileage taxes occurs because of the establishment of a national weight distance tax; and

WHEREAS, the Surface Transportation Assistance Act of 1982 subsequently established a heavy vehicle use tax which is a nationally uniform charge based upon graduated vehicle weight and which moved substantially in the direction of meeting highway cost responsibilities as determined in the Final Report on the Federal Highway Cost Allocation Study; and

WHEREAS, the proposed flat diesel differential use tax moves in the opposite direction of meeting cost responsibility and does not allocate costs consistent with the Federal Cost Allocation Study; and

WHEREAS, Section 513(g) of the Surface Transportation Assistance Act of 1982 directs the Department of Transportation, in consultation with the Department of the Treasury, to study: (1) alternatives to the heavy vehicle use tax, and (2) plans for improving the collection and enforcement of the tax and its alternatives, and further directs that alternative taxes include those based either singly or in combination on vehicle size or configurations, vehicle weight, both registered and actual operating weight, and distance travelled; and

WHEREAS, the AASHTO Steering Committee on Motor Carrier Taxation and Registration Issues is conducting a study on this subject in order to develop positions and recommendations when Congress debates legislation on alternatives to the current heavy vehicle use tax, and federal preemption of state motor carrier taxation and registration policies:

NOW, THEREFORE, the Policy Committee AASHTO, acting at its October 2, 1983 meeting in Denver, Colorado reaffirms its endorsement of the Federal Cost Allocation Study; and

BE IT FURTHER RESOLVED, that AASHTO urges Congress not to take action on alternative truck taxes until such time as AASHTO completes its study and presents recommendations on this vital subject; and

BE IT FURTHER RESOLVED, that AASHTO urges that if changes are made on truck taxes that alternatives be based on an equitable type and weight of the taxed vehicle, and the amount of highway usage for these vehicles, and that the level of funds raised be no less than that authorized in the STAA.

As Approved by the AASHTO Executive
Committee on January 27, 1984, for
submittal to the AASHTO Policy Committee

RESOLUTION CONCERNING FEDERAL TAXATION OF HEAVY TRUCKS

WHEREAS the Congress in the Surface Transportation Act of 1982 has enacted needed funding for highway purposes and a system of taxation to achieve such funding;

WHEREAS the U.S. Department of Transportation is conducting studies examining alternative methods of taxing heavy trucks;

WHEREAS the Congress is likely to consider alternative taxes for heavy trucks during its session in 1984;

WHEREAS the nation's state highway and transportation officials have a vital interest in truck taxes that adequately finance the nation's highway system and provide equity in paying for that system;

WHEREAS the member departments of AASHTO have conducted a detailed analysis of alternative methods of taxing heavy trucks under the guidance of a Steering Committee, which was concluded on December 31, 1983 with the submittal of a final report that evaluates the fairness and practicality of the alternatives;

WHEREAS the Steering Committee study found that truck taxes based upon a combination of the weight of vehicles and the distance they travel more equitably distribute financing responsibility proportional to costs imposed on the system than other tax alternatives; and

WHEREAS the Steering Committee study found that truck taxes based on a combination of the weight of vehicles and the distance they travel provide greater equity than a tax based on either of these two factors alone;

WHEREAS the existing federal excise taxes on truck sales and tires represent a one time payment in advance of highway use causing a greater burden on motor carriers than taxes which are paid periodically based on use; and

WHEREAS the states generally have in place mechanisms for reporting of the weight of heavy trucks and the miles they travel and procedures and personnel for verification of these data;

NOW THEREFORE BE IT RESOLVED:

(1) No truck tax should be substituted for the current heavy vehicle use tax unless such tax raises at least equal revenues for highway purposes, provides at least equal equity, and is administratively efficient.

(2) A federal weight-distance tax should be considered as a replacement for the heavy vehicle use tax and all other federal highway user charges except fuel taxes. This tax should be designed to yield at least equal revenues for highway purposes and to provide equity among users.

(3) Such a tax should be administered by state governments with federal reimbursement for the costs involved.

As Approved by the AASHTO Executive
Committee on January 27, 1984, for
Submittal to the AASHTO Policy Committee

RESOLUTION CONERNING UNIFORMITY OF STATE REGULATION AND TAXATION OF MOTOR CARRIERS

WHEREAS current state practices result in multiple state registration and tax reporting requirements which cause higher administrative costs for states and compliance costs for motor carriers than necessary;

WHEREAS some persons are seeking to use this situation to eliminate certain state taxes and others are seeking to use it to give unprecedented authority over state taxes and registration procedures to the federal government;

WHEREAS the states have demonstrated, in the International Registration Plan, that multi-state arrangements which allocate tax revenues by mileage in each state are feasible and reduce paperwork and reporting burdens for motor carriers without jeopardizing state revenues.

NOW THEREFORE BE IT RESOLVED:

(1) There should be no federal restrictions on the ability of the states to enact and set the rates of major highway use taxes based upon registration, fuel purchase and use, and the weight of the vehicle and distance traveled.

(2) That uniformity be achieved at a minimum for registration and fuel use reporting through a system premised on base state reporting of mileage and fuel purchased by state. This system would cover both inter- and intra-state trucks and encourage a single institutional contact and a single form for reporting in each state. In addition, efforts to achieve uniformity specifically should exclude any proposal that would limit the states' ability to determine type and rate of taxation, such type and rate of taxation being equally applicable to interstate and intrastate trucking. There should be an institutional mechanism to administer and enforce the uniform system. This institutional mechanism would have certain basic functions including data processing and central storage and retrieval, exchange of data from required reports of motor carriers and from all field data relating to enforcement, administration of a combined IRP and fuel tax, and establishment of standards for auditing and other items necessary to minimize tax evasion. The institutional mechanism would also perform additional functions on a voluntary negotiated basis as the states find necessary.

(3) A task force should be convened by the states to consider and recommend mechanisms by which the states can implement the concepts stated above. This task force should involve representatives of AASHTO, the NGA and other interested organizations of state officials including regulatory commissioners, tax administrators, vehicle administrators and legislators.

(4) The institutional mechanism adopted by the states should not involve perpetual subsidies from any state to any other state.

(5) AASHTO supports federal legislation to ensure that the policies listed above are, within a reasonable time, adopted by all the states.

(6) These actions represent positive steps on the part of the states to address the fundamental issues of uniformity in truck taxation and registration. Further, these actions provide the necessary framework for resolving issues without the necessity of federal pre-emptive legislation.

NGA Staff Advisory Committee

FEDERAL TAXES ON HEAVY TRUCKS PROPOSED POLICY

Amend Highway Transportation Policy Statement (F.-2)

Add new Section under item B. Finance

10. THE GOVERNORS COMMEND THE ADMINISTRATION AND CONGRESS FOR SEEKING TO ACHIEVE A MORE EQUITABLE FEDERAL HIGHWAY FINANCING STRUCTURE. FEDERAL HIGHWAY USER FEES SHOULD REFLECT FAIRLY AND WITHOUT DISCRIMINATION THE COSTS OCCASIONED TO THE SYSTEM BY THE VARIOUS VEHICLE CLASSES.

ANY ADDITIONAL CHANGES IN THE FEDERAL TAX STRUCTURE SHOULD MEET THE FOLLOWING CONDITIONS:

A) REVENUE GENERATION - ANY NEW TAX MUST GENERATE AT LEAST AS MUCH REVENUE AS THE TAX OR TAXES BEING REPLACED TO ENSURE FULL FUNDING OF EXISTING FEDERAL HIGHWAY PROGRAM AUTHORIZATIONS.

B) EQUITY - THE DISTRIBUTION OF COST RESPONSIBILITY WITHIN THE FINANCING STRUCTURE SHOULD BE EQUITABLE, BOTH AMONG AND BETWEEN VEHICLE CLASSES.

C) ADMINISTRATIVE EFFICIENCY — WHERE APPROPRIATE, EXISTING STATE ADMINISTRATIVE STRUCTURES SHOULD BE USED TO AVOID DUPLICATION, AND THE FEDERAL GOVERNMENT SHOULD PROVIDE REIMBURSEMENT FOR THE COSTS INVOLVED.

NGA Staff Advisory Committee

STATE TAXATION AND REGULATION OF INTERSTATE TRUCKING

Statement of Principles

January 20, 1984

Background: Recently, separate legislative proposals have been discussed by the U.S. Department of Transportation (USDOT) and the trucking industry that would invalidate certain state laws and procedures governing the taxation and regulation of interstate truckers. These proposals are directed at simplifying the different forms, reporting dates, administrative and enforcement procedures, and tax structures and rates that have resulted from the separate exercising of powers to regulate and tax by the states. There has been concern that these differences create unnecessary burdens on truckers operating in many different states.

Some trucking interests are supporting legislation that would make it impossible for states to enforce their weight-distance and certain other taxes and would require all states to join the International Registration Plan (IRP). DOT is seeking enactment of legislation that would allow the Secretary of Transportation to take action to override the states through administrative regulation.

STATEMENT OF PRINCIPLES

The Governors believe that a solution can and should be found that simplifies reporting and administrative burdens on interstate trucking while not denying the states' control over raising revenues needed for highways or their ability to protect those who travel on them. To this end, the Governors endorse the following set of principles.

- Taxation: The freedom to structure state revenue systems is integral to the operation of state government. The Governors oppose all legislation that would, either directly or through unilateral action by an administrative officer, preempt state authority over sources of state revenues, state tax bases, or taxation methods.

- Voluntary State Action: The Govenors urge voluntary action by the states to harmonize and simplify their procedures for economic regulation of interstate commerce, registration, and collection of taxes.

- State/Federal Consultation: The Governors recognize that some form of federal encouragement of this harmonization may prove to be appropriate when all reasonable voluntary efforts have been exhausted. Any federal action should be limited to administrative procedures and must involve consultation with the states.

DISCUSSION OF PRINCIPLES

Principle of Taxation: The Constitution and current federal legislation assign to the states certain highway responsibilities and liabilities. States must finance the operation and maintenance of Federal-aid highways, fully finance the cost of improvements for 80 percent of the nation's highway network, and are liable for the safety of highway users. The maintenance of authority to adopt, repeal and change the rates, structure and level of taxes is essential to the states' responsibility to support an adequate system of highways.

States tax all users to finance highway maintenance and repair. In the case of heavy trucks, taxes fall into three major revenue sources: 1) registration fees, 2) taxes on fuel consumption, and 3) taxes based either on gross receipts of carriers, or on vehicle axles or weight-distance, to recover highway costs attributable to heavy trucking. In addition, states and local governments levy a variety of taxes and fees on trucking beyond the three mainstays of highway financing. The Governors are willing to consult with local and federal officials to eliminate, where possible, fees with one or more of the following characteristics:

- Taxes that provide revenues not used for highway purposes that impose a heavier burden on trucking than on other forms of transportation or commerce and industry generally.

- Taxes or charges that result in higher burdens on interstate truckers than on intrastate truckers for comparable vehicles, loads, and trips.

- Retaliatory taxes or fees used by one state to attempt to influence the tax policy of another state.

Principles of Voluntary State Action: The Governors urge voluntary action by the states to harmonize administrative procedures for economic regulation of interstate commerce, collection of registration fees and taxes, including, to the extent possible, one-stop operations, uniform definition of weight classes, and common forms and reporting procedures. It is expected that improved administration, including strengthened enforcement and audit procedures which would result from a uniform nationwide system, would produce additional revenue for both the states and the federal government. However, some states which do not now participate in a uniform system fear that at least some short term loss of tax revenue and some increased administrative costs would result should they join a uniform system. These obstacles to participation should be overcome by temporary federal financial incentives, financed out of revenues generated from improved enforcement, to compensate states for:

- demonstrated net revenue losses due to participation in the uniform system; and

- the administrative burden, including the cost of technical requirements, of participating in the uniform system.

In addition, the Governors urge each state to take action in cooperation with other states to achieve the following goals.

- No power unit should be required to display more than one set of license plates, issued by a base jurisdiction.

- Documentation carried in the cab of the vehicle should be minimized.

- Fuel tax forms, calculations, due dates and other procedures should be uniform. Consideration should be given to use a base-state approach, similar to the IRP, to fuel tax collection.

- Only one form and one payment, payable to either a base state or other designated administrative entity, should be required for registration valid in all states.

The Governors reaffirm their encouragement to all states to join the IRP and to work together to develop automated systems support services to reduce the cost and improve the effectiveness of administration of existing fuel taxes and registration fees. Existing systems should be evaluated to determine the feasibility of using them as a basic structure. The Governors oppose any proposal to shift the responsibility for vehicle registration from the states to the federal government.

Principles for State/Federal Consultation: The Governors recognize some form of federal encouragement, in concert with the multi-state effort, may be appropriate to achieve the goals listed above. Any consultative arrangement directed by the federal government should have these characteristics:

- representation by state officials;
- a process that takes into consideration input from the trucking industry; and
- an adequate lead time for development and implementation of proposed remedial measures.

The Governors are concerned that the federal-state consideration of truck taxation and regulation may involve federal action impacting states adversely. The loss of revenues, invalidation of state authority, or unilateral alteration of certain state and local administrative procedures are unacceptable. Other actions which impact states must be considered only as a last resort, and only after consultation with state elected officials. and, if still considered necessary, only in response to specific legislation. The role of federal rulemaking agencies should be to perform their normal function of promulgating rules and regulations to implement this legislation.

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

WILLIAM A. ORDWAY President
Director
Arizona Department
of Transportation

FRANCIS B. FRANCOIS
Executive Director

February 22, 1984

The Honorable Robert Dole
Chairman
Senate Finance Committee
2227 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

During our appearance before your Committee last week, AASHTO testified that its Executive Committee has adopted a policy recommending consideration for establishing a federal weight-distance tax for heavy trucks in lieu of all existing taxes except the fuel tax. Previously, on February 8, we testified before the House Surface Transportation Subcommittee of the Committee on Public Works and Transportation regarding a number of matters including that of taxation for heavy trucks. At that time the Subcommittee requested us to furnish draft legislation for establishing a federal weight distance tax for heavy trucks.

Enclosed is my response to this request. I am forwarding this material to you at this time as a supplement to our previous testimony in an effort to assist you during your deliberations of these matters.

As indicated during our testimony, if there is any further information you may need or if we can be of any further assistance in these matters, please do not hesitate to contact me.

Very truly yours,

Francis B. Francois
Executive Director

FBF:WTD:cam
enclosure

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AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

WILLIAM A. ORDWAY, President
Director
Arizona Department
of Transportation

FRANCIS B. FRANCOIS
Executive Director

February 21, 1984

The Honorable Robert F. Smith
2373 Rayburn House Office Building
Washington, D. C. 20515

Dear Congressman Smith:

During our appearance before the Surface Transportation Subcommittee of the Committee on Public Works and Transportation on February 8, you requested that we provide you and the members of the Committee with draft legislation for establishing a federal weight-distance tax for heavy trucks. I responded during the hearing that at your request we would be pleased to prepare such draft legislation, and we have now completed that effort.

Enclosed is a draft bill, Attachment A, to impose a federal weight-distance tax on heavy motor vehicles, together with a section-by-section analysis. This draft bill was prepared by the staff of this office after consultation with several state officials, and it is to be clearly understood that it is not the product of nor is it presently endorsed by the Association and its member departments. While it is a product of the AASHTO staff, I nevertheless believe it presents a reasonable approach to the imposition of such a tax. Its content is based on findings of our recently completed study of motor carrier taxation and registration issues, a review of existing weight-distance tax laws in several states, and adopted policies of the Association where they are applicable.

As brought out in our testimony during the February 8 hearing, AASHTO undertook a comprehensive study of motor carrier taxation and registration issues. We engaged System Design Concepts, Inc. (Sydec) and Harold A. Hovey as consultants. Their final report, which was previously furnished to your office and the Public Works and Transportation Committee, analyzed the subject issues in greater depth than has ever been done before. Although AASHTO has not completed its process for formally adopting a policy position on the subject issues, it believes that regardless of the specific form an alternative heavy truck tax might assume, it should be designed to take into account the weight of the vehicles and their usage of our highways. It is also AASHTO's position that the resultant tax reflect the cost allocation principles established by the 1982 FHWA report on cost allocation and be revenue neutral to the Federal-Aid Highway program so that the ability to fund the authorization levels of the Surface Transportation Act of 1982 (STAA) is

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not adversely affected. The enclosed draft bill incorporates these principles, and is based on the information contained in the Sydec report, as well as the U.S. Department of Transportation (DOT) "Report on Alternatives to Tax on Use of Heavy Trucks".

In brief, the proposed draft bill establishes a federal weight-distance tax for all motor vehicles over 50,000 pound registered gross vehicle weight (GVW) and a single flat tax for motor vehicles under 50,000 pound GVW; establishes a framework for the states to administer the new federal tax; and repeals the heavy vehicle use tax, the sales tax on heavy trucks and trailers sold at retail, and the tax on tires and tubes imposed by the STAA.

The intent of the draft bill is to impose a tax upon heavy motor vehicles which more accurately reflects their share of highway costs as determined by the 1982 Federal Highway Cost Allocation Study than that imposed by existing legislation. It is also intended, as a minimum, to attain the revenue levels established by the STAA of 1982. A number of rate schedules can be developed to achieve these goals to varying degrees, as shown on Attachment B; four different options are contained on this table, with Option 1 being that contained in the proposed bill. The four options of the table of Attachment B are analyzed in Schedules A through D, attached to the table. As shown in Schedule A, the rate schedule in the draft bill contains rates which fairly accurately reflect a full share of highway cost responsibility. The revenue generated from these rates is estimated to exceed that anticipated from the STAA in 1986 by $376 million ($13,609 million vs. $13,233 million). The rates used are those necessary to replace the STAA heavy vehicle use tax (HVUT), the retail sales tax on heavy trucks and trailers, and the tax on tires and tubes, i.e., all taxes except the fuel tax.

Of the three additional rate schedules, Option 2, as shown on Schedule B, has rates which reduces both the level of highway cost responsibility and revenue generated to levels approximately equal to those anticipated from the STAA of 1982. Option 3, as shown on Schedule C, and Option 4, as shown on Schedule D have the same inherent features pertaining to cost responsibility and revenue generation as Options 1 and 2 respectively, but would merely replace the HVUT established by the STAA of 1982.

A number of additional rate schedules have been suggested. These rate schedules are based on different assumptions. For example, our consultant, Sydec, prepared a rate schedule to repace all existing taxes except the fuel tax (comparable to Options 1 and 2) with rates ranging from 1.7 cents per mile for 55,000 pound vehicles to 7.7 cents for 80,000 pound vehicles. The difference is primarily due to Sydec incorporating an allowance for evasion assumed at 12 percent. Sydec found this percentage to be near the high end of the range for a weight-distance tax administered by the states and near the low end of the range for a weight-distance tax administered by the Federal Government. Some experts contend that an evasion rate should not be assumed for rate schedule computations. It is reasoned that inclusion of evasion factors in rates unfairly penalizes those who pay the tax by requiring them to pay the share for those who do not pay the tax. The rate schedule in the draft bill and the other three optional rate schedules enclosed incorporate an evasion rate of 8.5 percent. This rate represents a conservative compromise among various theories and assumptions and recognizes that a federal weight-distance tax will have a smaller evasion rate than presently experienced by individual states.

Another factor partially accounting for the differences among the proposed rate schedules is the manner by which differences within and among classes of vehicles are treated. The rate schedules enclosed considered this factor in a manner which resulted in rates with reasonable progressions.

The proposed draft bill also includes incentives for the use of additional axles on heavy trucks which can help mitigate the damage heavy trucks can cause to our highways. AASHTO studies and the Federal Highway Cost Allocation Study show that highway damage is primarily caused by a relationship between the weight of the vehicle and the number of axles. Therefore, since vehicles with additional axles cause less damage than vehicles of the same weight with fewer axles, the rate of payment is not increased above the 80,000 pound category for vehicles weighing in excess of 80,000 pounds with additional axles. It appears this provision will become particularly important in forthcoming years primarily in western states, where it is anticipated there will be a larger number of two- and three-trailer vehicles on the highways as a result of the provisions in STAA.

Critics of a weight-distance tax contend that it is inequitable because it does not consider the fact that vehicles do not necessarily travel with a load commensurate with its registered weight. To achieve a tax which precisely accounts for the weight of each trip it would be necessary to impose a "ton-mile" tax. The AASHTO study discussed that a ton-mile tax would not be practical because the administrative costs would be excessive considering the necessity to maintain records and impose a separate tax rate for the weight of each trip for each vehicle. To account for actual weight variations for similar class vehicles discounts can be granted from the basic tax liability for certain classes of vehicles and/or classes of cargo.

For example, the Arizona weight-distance tax has a provision whereby vehicles with 45 percent or more ratio of empty mileage (such as tanker trucks, auto carriers, or log trucks) or with a large amount of travel on non-public roads (such as agricultural vehicles and log trucks) are granted a 30 percent discount from the basic tax liability. Similar provisions could be considered for inclusion in any legislation establishing a federal weight-distance tax. Also, it will be recalled that existing HVUT legislation of the STAA of 1982 exempts trucks used for less than 5,000 miles on public highways. The draft bill does not propose to repeal this provision.

As noted above, the threshold for the imposition of a weight-distance tax is set at 50,000 pounds GVW in the draft bill. There are a number of reasons for establishing this weight limit. Admittedly, one reason was merely because this was the threshold used in the Federal Highway Cost Allocation Study. It is also used because it is believed that for vehicles weighing less than 50,000 pounds a weight-distance tax based on cost responsibility generates revenues inadequate to justify the administrative costs to the states and the new burdens placed on this segment of the industry by subjecting these vehicles to mileage reporting. In addition, based on existing state requirements, 83 percent of all trucks weighing 50,000 pounds or more are required to report mileage, whereas only 29 percent of the vehicles weighing less than this amount are required to report mileage. Moreover, the Federal Highway Cost Allocation Study shows that there is a sharp increase in highway cost responsibility per mile for vehicles in excess of 50,000 pounds whereas this cost is relatively constant for vehicles between 20,000 and 50,000 pounds. Nevertheless, it is recognized that other proposals have used different thresholds which appear reasonable and acceptable. For example, the Department of Transportation's "Report on Alternatives to Tax on Use of Heavy Trucks" uses 55,000 pounds as a threshold for its alternatives pertaining to a combination of a diesel differential and a HVUT. It uses a 30,000 or 33,000 pound threshold for weight-distance tax alternatives but notes that these thresholds "could be raised to reduce the administrative cost of these options by limiting the tax to a smaller universe of trucks." As stated, however, a low threshold would impose recordkeeping on a large number of truck owners not presently accustomed to maintaining such records.

The proposed draft bill would impose a flat vehicle highway use tax for vehicles weighing between 33,000 and 50,000 pounds GVW amounting to $50 per year plus $80 for each 1,000 pounds or fraction thereof in excess of 33,000 pounds, to a maximum of $1,450. As shown on Schedule A this would represent a reduction in payments as compared to the STAA for all trucks under 50,000 pounds, and significantly reduces current overpayments for single unit vehicles. This rate would represent a ratio of revenue to cost responsibility for combination vehicles of .87, representing the largest underpayment of any class of vehicles (a ratio of less than 1 indicates underpayment). The rate was established lower than full cost responsibility recovery in order to discourage the registration of vehicles near the 50,000 pound threshold at a higher weight so as to be entitled to the smaller payments required under the weight distance tax. That is, there is an incentive to register a vehicle at a weight in excess of 50,000 pounds when the mileage-based payments are less than the annual flat fee tax. For example, it is believed that based on the rates proposed in the draft bill a 50,000 pound vehicle travelling less than 55,000 miles per year would pay less for a weight distance tax than the flat fee. On the other hand, establishing a flat fee tax less than that proposed in the draft bill would reduce the ratio of payment to cost responsibility to an even lower level, which seems unjustified.

The proposed draft bill provides that the tax be administered through a state based system of mileage reporting and auditing. It further provides for the establishment of an advisory committee of state officials to recommend a system for uniform mileage data collection enforced through federal regulations. Although specifics are not provided, it is believed that consideration should be given to including a provision providing for either an incentive to comply with the data collection requirements, or conversely carefully tailored sanctions for failure to comply with these requirements. Also, it is possible that consideration might be given to including a provision which would prohibit states from imposing discriminatory taxes against motor vehicles, if it is believed that such taxes can impose an unreasonable burden on interstate commerce.

Turning to the collection procedures for a federal weight-distance tax, the draft bill is designed to require little more to be done by motor carriers than they now routinely do. As noted previously, weight and mileage data are already required to be reported to states for an overwhelming percentage of trucks. The maintenance of this data is relatively simple and does not impose a significant burden upon the industry, and as is now done in states like Arizona, the draft bill simply utilizes this data for reporting the weight-distance tax due on a periodic basis. Enclosed, as Attachment C, is a copy of the form currently being used by Arizona for reporting this data. It will be noted that it merely requires a truck identification, an indication of the number of miles travelled in Arizona and the weight of the vehicle. This simplified reporting system provides a mechanism that is easy to administer with a high degree of compliance which would be perceived as equitable.

Our study, mentioned above, concluded that a federal weight-distance tax administered by the states is the only proposed tax alternative which would reduce the total of annual net administrative costs, compliance costs, and evasion costs compared to the HVUT provisions of the STAA. Of the ten states which presently have a form of weight-distance tax, Arizona is the most recent state and reports that administrative costs are estimated at less than one percent of the revenues collected from the weight-distance tax. Moreover, AASHTO believes that administrative costs and evasion losses presently experienced by individual states should be substantially reduced if the tax were instituted in a uniform manner on a nationwide basis.

Finally, enclosed, as Attachment D, is a comparison prepared by the AASHTO staff of provisions and issues pertaining to the STAA with a weight-distance tax and selected other alternatives presently being proposed. This side-by-side format should facilitate a review of these proposals.

Again, I must point out that AASHTO is presently in the process of developing a position with regard to whether a change should be made in the existing heavy vehicle use tax, and if so what would be an acceptable alternative. It is anticipated that this action will be completed shortly, and we will inform you of the actions taken.

If there is any further information you may need or if we can be of any further assistance in these matters, please do not hesitate to contact me.

Very truly yours,

Francis B. Francois
Executive Director

FBF:WTD:sah
enclosures

Attachment A

A BILL

To amend the Internal Revenue Code of 1954 to alter the highway use tax on heavy motor vehicles and to repeal the excise tax on retail sales of trucks and the excise tax on tires and tubes, and other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,

Section 1. Short Title.

This Act may be cited as the "Highway Use Tax Act of 1984."

Section 2. Findings and Purposes.

The Congress of the United States, recognizing the vital functions of our nation's roads and highways and the enormous investment that generations of Americans have made in our highway system, finds that the protection of that investment requires an equitable allocation of the costs of highway use among road users; and further finds that current taxes are not equitable among classes of highway users and within the classes of highway users according to generally accepted federal cost responsibility allocation findings.

Accordingly, it is the purpose of this Act to tax highway users more fairly for their use of the nation's road and highway system by creating a tax on commercial motor vehicles based on the registered weight of those vehicles and their actual use of the highways and to administer that tax in cooperation with the states.

Section 3. Alteration of the Highway Use Tax.

(a) Section 4481 (a) of the Internal Revenue Code of 1954 is amended to read as follows:

"(1) In General. ---

(A) For vehicles of at least 33,000 pounds but less than 50,000 pounds taxable gross weight a rate of $50 a year plus $80 for each 1,000 pounds or fraction thereof in excess of 33,000 pounds.

(B) For vehicles of 50,000 pounds taxable gross weight or greater.---

At least	But less than	Mileage tax rate
50,000 pounds	51,000 pounds	2.53¢ per taxable mile travelled
51,000 pounds	52,000 pounds	2.54¢ per taxable mile travelled
52,000 pounds	53,000 pounds	2.55¢ per taxable mile travelled
53,000 pounds	54,000 pounds	2.56¢ per taxable mile travelled
54,000 pounds	55,000 pounds	2.57¢ per taxable mile travelled
55,000 pounds	56,000 pounds	2.58¢ per taxable mile travelled
56,000 pounds	57,000 pounds	2.59¢ per taxable mile travelled
57,000 pounds	58,000 pounds	2.60¢ per taxable mile travelled
58,000 pounds	59,000 pounds	2.61¢ per taxable mile travelled
59,000 pounds	60,000 pounds	2.62¢ per taxable mile travelled
60,000 pounds	61,000 pounds	2.63¢ per taxable mile travelled
61,000 pounds	62,000 pounds	2.64¢ per taxable mile travelled
62,000 pounds	63,000 pounds	2.65¢ per taxable mile travelled
63,000 pounds	64,000 pounds	2.66¢ per taxable mile travelled

At least	But less than	Mileage tax rate
64,000 pounds	65,000 pounds	2.67¢ per taxable mile travelled
65,000 pounds	66,000 pounds	2.68¢ per taxable mile travelled
66,000 pounds	67,000 pounds	2.69¢ per taxable mile travelled
67,000 pounds	68,000 pounds	2.70¢ per taxable mile travelled
68,000 pounds	69,000 pounds	2.90¢ per taxable mile travelled
69,000 pounds	70,000 pounds	3.10¢ per taxable mile travelled
70,000 pounds	71,000 pounds	3.40¢ per taxable mile travelled
71,000 pounds	72,000 pounds	3.70¢ per taxable mile travelled
72,000 pounds	73,000 pounds	4.00¢ per taxable mile travelled
73,000 pounds	74,000 pounds	4.30¢ per taxable mile travelled
74,000 pounds	75,000 pounds	4.70¢ per taxable mile travelled
75,000 pounds	76,000 pounds	5.10¢ per taxable mile travelled
76,000 pounds	77,000 pounds	5.50¢ per taxable mile travelled
77,000 pounds	78,000 pounds	6.00¢ per taxable mile travelled
78,000 pounds	79,000 pounds	6.50¢ per taxable mile travelled
79,000 pounds	80,000 pounds	7.00¢ per taxable mile travelled
80,000 pounds or more		7.50¢ per taxable mile travelled plus 50¢ per mile for every 2,000 pounds or fraction thereof over 82,000 pounds gross vehicle weight."

(c) As an incentive for vehicles to have additional axles, for vehicles of in excess of 80,000 pounds with:

	Mileage tax rate
7 Axles: 2 trailer (3S-2-2) (Rocky Mt. Doubles) 3 trailer (2S-1-2-2)	rate for an 80,000 pound vehicle up to a maximum weight of 91,500.
8 Axles: 2 trailer (3S-2-3) (Washington Doubles) 3 trailer (3S-1-2-2)	rate for an 80,000 pound vehicle up to a maximum weight of 105,500.
9 Axles: 2 trailer (3S-3-3) (B Train) 2 trailer (3S-2-4) (Turnpike doubles)	rate for an 80,000 pound vehicle up to a maximum weight of 124,000

(b) Subsection (c) of Section 4481 of such Code (relating to proration of tax) is amended:

(1) By inserting the words "for certain vehicle classes" after "Proration of tax" in the title of subsection (c).

(2) By inserting a paragraph (3) to read as follows:

"(3) APPLICABILITY OF THIS SUBSECTION. -- This subsection shall not apply to vehicles subject to the mileage tax rates prescribed in subparagraph (b) of paragraph (1) of section 4481 (a).".

(c) Subsection (d)(4) of Section 4483 (relating to relief from liability for tax under certain circumstances where truck is transferred) is amended by inserting "subparagraph (A) of paragraph (1)" after "section 4481" each time it appears.

(d) Subsection (d) of Section 4483 of such Code is amended to read as follows:

"(d) Period of tax liability. --

(1) In general. -- To the extent that the tax imposed by this section is paid with respect to any highway motor vehicle for any taxable period, no further tax shall be imposed by this section for such taxable period with respect to such vehicle.

(2) (A) Highway motor vehicles taxed under subparagraph (A) of Section 4481 (a) (1) shall have the privilege of installment payment as described in Section 6156 of such Code.

(B) Highway motor vehicles taxed under subparagraph (B) of Section 4481 (a) (1) shall pay taxes on a quarterly basis. Procedures for quarterly payment shall be determined under regulations prescribed by the Secretary.".

(e) Section 4482(c) of such Code is amended as follows: --

(1) By inserting at the end of of paragraph (4) the following words:

"Use of the term 'taxable period' in this section shall not affect the requirement contained in Section 4481 (d) (2) (B) that the mileage tax imposed under Section 4481 (a) (1) (B) be paid on a quarterly basis.".

(2) By adding at the end of subsection (c) the following new paragraph:

"(6) Taxable mile -- The term 'taxable mile' means any mile travelled on a public highway. A private road is not a public highway for the purposes of this subchapter unless dedicated and accepted by the proper authorities as a public highway. The mere use of a private road by one or more members of the public with or without the consent of the owner does not make it a public highway."

(3) Subsection (d) is amended by substituting the words "section 4481 (a) (1) (A)" for the words "section 4481 (a)".

Section 4. Repeal of the Tax on Heavy Trucks and Trailers Sold at Retail.

(a) In General. -- Subchapter B of Chapter 31 of the Internal Revenue Code of 1954 (Sections 4051, 4052 and 4053 relating to the imposition tax on heavy trucks and trailers sold at retail) is hereby repealed.

Section 5. Repeal of the Tax on Tires and Tubes.

(a) In General. -- Subsection (a) of Section 4071 of Subchapter A of Chapter 32 of the Internal Revenue Code of 1954 (relating to the imposition and rate of tax on tires and tubes) is hereby repealed.

Section 6. Effective Date.

(a) In general. -- Except as otherwise provided, amendments made by this Act shall take effect on September 30, 1986.

(b) Subsection (f) of Section 513 of P.L. 97-424 (96 Stat. 2179) (relating to effective date in general and special rule in the case of certain owner-operators) is hereby repealed.

Section 7. New Duties Assigned to FHWA.

(a) Sec. 104(c) of Title 49 is amended to read as follows:

"(3) duties and powers vested in the Secretary by Sec. 325 of Title 23; and

(4) additional duties and powers prescribed by the secretary.".

Section 8. New FHWA Duties Defined.

(a) Chapter 3 of Title 23 is amended by inserting a new section to read as follows:

"Sec. 325. Uniform State Mileage Data Collection —

(a) In order to improve the disbursement of grants based on heavy truck vehicle miles of travel and to assist the Department of the Treasury and the States in the collection of mileage-based taxes, including the tax imposed on certain trucks by the Highway User Tax Act of 1984 (26 U.S.C. Sec. 4481), the Secretary shall, immediately upon enactment of this legislation, in cooperation with the respective governors or other elected officials in jurisdictions not having a governor, appoint a committee of state officials, under the Secretary's chairmanship, to oversee the development of a uniform system of state measurement and collection of truck highway use data. The committee shall be composed of at least one representative for each state. The committee, in cooperation with the Secretary, shall recommend uniform standards for highway use data collection by September 30, 1985. Data collected by the states shall include, but not be limited to, the following:

(1) Taxable mileage of trucks with gross vehicle weights over 50,000 pounds reported by gross vehicle weight groups;

(2) Other heavy vehicle operating characteristics.

(b) The Secretary is empowered to issue rules and regulations to ensure the proper and uniform collection of data necessary to enforce the Highway Use Tax Act of 1984 (26 U.S.C. Sec. 4481). The rules and regulations shall be based upon the recommendations of the Committee established by subsection (a) of this section.

(c) (1) Each State shall submit a plan, and any subsequent major revisions to that plan, for the collection of the data required by this section, to the Administrator within six months of the promulgation of uniform standards for the collection of such data.

(2) The Administrator shall approve or disapprove such plan and any subsequent major revisions within three months of its submission. The Administrator shall approve such plan if it substantially complies with this subsection.

(d) (a) There is hereby authorized to be appropriated to assist the states in the development of the uniform data collection system mandated by this section a sum not to exceed $50,000,000 for the fiscal year ending September 30, 1986, and remain available until expended. The funds shall be allocated to the states on the basis of a proration of the mileage travelled by vehicles over 50,000 pounds gross weight in each state as determined by the Administrator.

(b) After September 30, 1986, five per centum of the revenues raised by the Highway Use tax Act of 1984 (26 U.S.C. Sec. 4481) in any year shall be allocated to the states to assist in alleviating the cost of administering this section during that year. Revenues allocated to the states for this purpose shall be prorated according to the number of taxable miles travelled in each state by highway motor vehicles subject to the Highway Use Tax of 1984.

* * * * *

(It is suggested that consideration be given to inserting a section 9 providing an incentive for the states to comply with the requirements of section 8 above pertaining to submitting a data collection plan; or alternatively, sanctions for failure to comply with such requirements may be agreed upon by the states. Such a mechanism may contain the following.)

Section 9. Enforcement.

The first sentence of subsection (d) of Section 9, Section 141 of Title 23, United States Code, is amended to read as follows:

The Secretary shall reduce the state's apportionment of federal-aid highway funds under Section 104(b)(5) of this title in an amount (there should be inserted at this point an amount agreed upon by the states) of the amount to be apportioned in any fiscal year beginning after September 30, 1986, during which a state fails to comply with the requirements of Section 8 of this Act.

* * * * *

(It is suggested that consideration might be given to inserting a section 10 prohibiting various state discriminatory taxes such as those that presently exist in some states applicable to state taxes on heavy motor vehicles. Such a provision might contain the following.)

Section 10. Tax Discrimination Against Motor Vehicles.

(a) The following Section 11503b is added to Title 49 of the United States Code:

"Section 11503b. Tax Discrimination Against Motor Vehicles.

(a) In order to prevent an unreasonable burden and discrimination against interstate commerce a state, subdivision of a state, or authority acting for a state or subdivision of a state may not impose any motor vehicle tax liability which depends upon such vehicle's state of registration. Such prohibition shall not apply to bilateral or multilateral agreements granting reciprocal motor vehicle tax treatment or to agreements for the proration of motor vehicle tax payments.

(b) Notwithstanding Section 1341 of Title 28 and without regard to the amount in controversy or citizenship of the parties, a District Court of the United States has jurisdiction, concurrent with other jurisdiction of the courts of the United States and the states, to prevent a violation of subsection (a) of this Section.

SECTION-BY-SECTION ANALYSIS

Section 1 - Short Title

This Section sets out the short title of the Act as the "Highway Use Tax Act of 1984."

Section 2 - Findings and Purpose

This section sets out the findings and purpose of the Act.

Section 3 - Alteration of the Highway Use Tax

This section amends Sec. 4481 of the Code by repealing the heavy vehicle use tax imposed by the STAA of 1982, and prescribing tax rates for vehicles weighing 33,000 pounds or more. Vehicles weighing under 33,000 pounds are not taxed under this section. Those weighing between 33,000 and 50,000 pounds are subject to a flat tax of $50 per year, plus $80 for each 1,000 pounds or fraction thereof in excess of 33,000 pounds for a maximum of $1,450. Trucks weighing 50,000 pounds and more are taxed at rates for each taxable mile travelled varying according to the registered weight of the vehicle. Taxable mile is defined as a mile travelled on a public highway. The existing exemption where a truck is used less than 5,000 miles a year on public highways is retained.

This section also requires that the tax on vehicles weighing 50,000 pounds or more be paid quarterly, in accordance with regulations to be issued by the Secretary. Vehicles under 50,000 pounds may pay annually or quarterly, as under current law.

Section 4 - Repeal of the tax on heavy trucks and trailers sold at retail

This section repeals the tax on the retail sale of heavy trucks and trailers imposed by Sections 4051-4053 of the Code.

Section 5 - Repeal of the tax on tires and tubes

This section repeals the tax on tires and tubes imposed by Sections 4071-4073 of the Code.

Section 6 - Effective date of this legislation

This section provides that this Act will take effect on September 30, 1986.

Section 7 - New duties assigned to FHWA

This section provides for delegation of the duties assigned to the Secretary of Transportation by Section 8 to the Federal Highway Administrator.

Section 8 - New FHWA duties defined

This section provides a system for the collection of data necessary for the proper application of the Act. Data is to be collected by the states under uniform federal guidelines. The guidelines are to be developed by a committee of state officials in consultation with the Secretary by September 30, 1985. The Secretary shall promulgate these guidelines as regulations. The states will then have six months to develop plans for collecting the required information under the guidelines. The sum of $50,000,000 is authorized for fiscal year 1985 to assist the states in implementing the new system.

The section also provides that after September 30, 1986, 5 percent of the revenues raised by the Act shall be allocated to the states to aid in the cost of administering the Act. Revenues allocated to the states will be apportioned based on the number of taxable miles travelled in that state.

Section 9 - Enforcement

This section is included merely as a suggestion for the states to consider in developing a mechanism to assure compliance with the provisions in section 8 pertaining to submitting a data collection plan. The suggested section provides a sanction for failure to comply with these requirements, but it may be preferable to provide an incentive for compliance. In either case it should be recognized tht all states must comply with the requirements.

Section 10 - Tax Discrimination Against Motor Vehicles

This section is included merely as a suggestion to consider, and is a provision which prohibits states from levying or collecting retaliatory motor vehicle taxes. These taxes classify motor vehicles on the basis of the taxing policies of the state in which they are registered. As a result trucks with identical operating characteristics pay different taxes. It has been found this can discriminate against foreign trucks, and place an undue burden on interstate commerce.

The suggested section does not invalidate agreements between states to grant motor vehicle tax reciprocity or to prorate motor vehicle taxes. These agreements reduce the tax which foreign state registered vehicles must pay below the level for domestic vehicles. In this case, the rate of taxation of domestic vehicles is the ceiling for that state's taxation of all motor vehicles, and the political representation of domestically registered vehicle owners will prevent excessive taxation. Since retaliatory taxes raise the tax on foreign state registered vehicles above the tax on domestically registered motor vehicles, there is no effective political limit on excessive taxation, and the operation of vehicles in interstate commerce can be threatened.

This section also provides an exception to the Tax Injunction Act so that retaliatory taxes may be challenged in the federal district courts.

Attachment B

Weight-Distance Tax Rate Schedule by Option
(cent per mile)

Truck Classes	Option 1 Tax Rates	Option 2 Tax Rates	Option 3 Tax Rates	Option 4 Tax Rates
50-51 kip	2.53	3.38	0.55	1.15
51-52	2.54	3.39	0.55	1.17
52-53	2.55	3.39	0.55	1.19
53-54	2.56	3.40	0.55	1.21
54-55	2.57	3.40	0.60	1.23
55-56	2.58	3.41	0.60	1.25
56-57	2.69	3.41	0.60	1.27
57-58	2.60	3.42	0.65	1.29
58-59	2.61	3.42	0.65	1.31
59-60	2.62	3.43	0.65	1.34
60-61	2.63	3.43	0.70	1.37
61-62	2.64	3.44	0.70	1.40
62-63	2.65	3.44	0.70	1.43
63-64	2.66	3.45	0.76	1.46
64-65	2.67	3.45	0.76	1.51
65-66	2.68	3.46	0.76	1.56
66-67	2.69	3.46	0.82	1.62
67-68	2.70	3.47	0.92	1.68
68-69	2.90	3.53	1.03	1.75
69-70	3.10	3.61	1.36	1.82
70-71	3.40	3.69	1.69	1.89
71-72	3.70	3.77	2.02	1.96
72-73	4.00	3.85	2.35	2.03
73-74	4.30	3.94	2.68	2.10
74-75	4.70	4.03	3.01	2.17
75-76	5.10	4.12	3.34	2.25
76-77	5.50	4.21	3.67	2.33
77-78	6.00	4.30	4.03	2.41
78-79	6.50	4.39	4.39	2.49
79-80	7.00	4.48	4.75	2.57

Note: These tax rates reflect an evasion rate of 8.5 percent.

Schedule A

Weight-Distance Tax Option 1
Replacement for all Existing Taxes Except Fuel Tax
Federal Revenue - 1986
($ millions)

Vehicle Class	1986 STAA revenue	Effect on revenue from dropping highway use, tire and sales taxes*	Proposed flat highway use tax**	Weight-distance tax revenue on vehicles >50 kips	1986 Option 1 revenue	STAA revenue to cost ratio	Option 1 revenue to cost ratios
Autos & MC	$ 5,895				$ 5,895	1.04	1.01
Pickups & vans	$ 2,675				$ 2,675	1.13	1.10
Single units							
<26 kips	$ 483	($ 16)			$ 467	1.10	1.03
>26 kips	$ 643	($ 245)	$156		$ 554	1.17	0.98
Combinations							
<50 kips	$ 322	($ 122)	$102		$ 302	0.95	0.87
50-55 kips	$ 191	($ 131)		$ 92	$ 152	1.20	0.93
55-60 kips	$ 191	($ 131)		$ 94	$ 154	1.20	0.94
60-65 kips	$ 191	($ 131)		$ 96	$ 156	1.20	0.95
65-70 kips	$ 191	($ 131)		$ 98	$ 158	1.20	0.96
70-75 kips	$ 1,057	($ 710)		$ 823	$ 1,170	0.92	1.00
75-80 kips	$ 1,394	($ 948)		$1,480	$ 1,926	0.72	0.97
	$13,233	($2,565)	$258	$2,683	$13,609		

*For trucks between 33-50 kips, highway use tax is retained.

**Single unit trucks >33 kips $50 + $80/kip over 33 kips.
Combination trucks <50 kips $50 + $80/kip over 33 kips.

Sources: VMT and cost responsibility derived from FHWA, "Final Report on the Federal Highway Cost Allocation Study," Tables IV-15 and III-4, 1983.
STAA revenue derived from FHWA, "Alternatives To Tax On Use Of Heavy Vehicles," Report to Congress, 1984.

Schedule B

Weight-Distance Tax Option 2
Replacement for all Existing Taxes Except Fuel Tax
Federal Revenue - 1986

($ millions)

Vehicle Class	1986 STAA revenue	Effect on revenue from dropping highway use, tire and sales taxes*	Proposed flat highway use tax**	Weight-distance tax revenue on vehicles >50 kips	1986 Option 1 revenue	STAA revenue to cost ratio	Option 1 revenue to cost ratios
Autos & MC	$ 5,895				$ 5,895	1.04	1.04
Pickups & vans	$ 2,675				$ 2,675	1.13	1.13
Single units							
<26 kips	$ 483	($ 16)			$ 467	1.10	1.06
>26 kips	$ 643	($ 245)	$156		$ 554	1.17	1.00
Combinations							
<50 kips	$ 322	($ 122)	$102		$ 302	0.95	0.89
50-55 kips	$ 191	($ 131)		$ 122	$ 182	1.20	1.14
55-60 kips	$ 191	($ 131)		$ 123	$ 183	1.20	1.15
60-65 kips	$ 191	($ 131)		$ 124	$ 184	1.20	1.15
65-70 kips	$ 191	($ 131)		$ 125	$ 185	1.20	1.16
70-75 kips	$ 1,057	($ 710)		$ 750	$ 1,097	0.92	0.96
75-80 kips	$ 1,394	($ 948)		$1,060	$ 1,506	0.72	0.78
	$13,233	($2,565)	$258	$2,304	$13,230		

*For trucks between 33-50 kips, highway use tax is retained.

**Single unit trucks >33 kips $50 + $80/kip over 33 kips.
Combination trucks <50 kips $50 + $80/kip over 33 kips.

Sources: VMT and cost responsibility derived from FHWA, "Final Report on the Federal Highway Cost Allocation Study," Tables IV-15 and III-4, 1983.
STAA revenue derived from FHWA, "Alternatives To Tax On Use Of Heavy Vehicles," Report to Congress, 1984.

Schedule C

Weight-Distance Tax Option 3
Replacement for STAA/HVUT
Federal Revenue - 1986

($ millions)

Vehicle Class	1986 STAA revenue	Effect on revenue from dropping highway use, tire and sales taxes*	Weight-distance tax revenue on vehicles > 50 kips	1986 Option 1 revenue	STAA revenue to cost ratio	Option 1 revenue to cost ratios
Autos & MC	$ 5,895			$ 5,895	1.04	1.01
Pickups & vans	$ 2,675			$ 2,675	1.13	1.10
Single units						
26 kips	$ 483			$ 483	1.10	1.07
26 kips	$ 643	($ 100)		$ 543	1.17	0.96
Combinations						
50 kips	$ 322	($ 42)		$ 280	0.95	0.81
50-55 kips	$ 191	($ 57)	$ 20	$ 154	1.20	0.94
55-60 kips	$ 191	($ 57)	$ 23	$ 157	1.20	0.96
60-65 kips	$ 191	($ 57)	$ 25	$ 159	1.20	0.97
65-70 kips	$ 191	($ 57)	$ 33	$ 167	1.20	1.02
70-75 kips	$ 1,057	($ 336)	$ 450	$ 1,171	0.92	1.00
75-80 kips	$ 1,394	($ 468)	$1,000	$ 1,926	0.72	0.97
	$13,233	($1,174)	$1,551	$13,611		

Sources: VMT and cost responsibility derived from FHWA, "Final Report on the Federal Highway Cost Allocation Study," Tables IV-15 and III-4, 1983.

STAA revenue derived from FHWA, "Alternatives To Tax On Use Of Heavy Vehicles," Report to Congress, 1984.

Schedule D

Weight-Distance Tax Option 4
Replacement for STAA/HVUT
Federal Revenue - 1986
($ millions)

Vehicle class

Vehicle class	1986 STAA revenue	Effect on revenue from dropping highway use tax	Weight-distance tax revenue on vehicles >50 kips	1986 Option 4 revenue	STAA revenue to cost ratios	Option 4 revenue to cost ratios
Autos & MC	$ 5,895			$ 5,895	1.04	1.04
Pickups & vans	$ 2,675			$ 2,675	1.13	1.13
Single units						
<26 kips	$ 483			$ 483	1.10	1.10
>26 kips	$ 643	($ 100)		$ 543	1.17	0.98
Combinations						
< 50 kips	$ 322	($ 42)		$ 280	0.95	0.83
50-55 kips	$ 191	($ 57)	$ 43	$ 177	1.20	1.11
55-60 kips	$ 191	($ 57)	$ 47	$ 181	1.20	1.14
60-65 kips	$ 191	($ 57)	$ 51	$ 185	1.20	1.16
65-70 kips	$ 191	($ 57)	$ 55	$ 189	1.20	1.19
70-75 kips	$ 1,057	($ 336)	$ 390	$ 1,111	0.92	0.97
75-80 kips	$ 1,394	($ 468)	$ 590	$ 1,516	0.72	0.78
	$13,233	($1,174)	$1,176	$13,236		

Sources: VMT and cost responsibility derived from FHWA, "Final Report on the Federal Highway Cost Allocation Study," Tables IV-15 and III-4, 1983.
STAA revenue derived from FHWA, "Alternatives To Tax On Use Of Heavy Vehicles," Report to Congress, 1984.

Attachment C

INSPECTOR	**MOTOR VEHICLE DIVISION TRUCK AND BUS RECORD**	STATION	SHEET NO.
INSPECTOR		TIME	DATE

	ACCOUNT #	CFM DOT	A/C TYPE	ARIZONA MILES	VEHICLE WEIGHT	UNIT NUMBER		ACCOUNT #	CFM DOT	A/C TYPE	ARIZONA MILES	VEHICLE WEIGHT	UNIT NUMBER
1							21						
2							22						
3							23						
4							24						
5							25						
6							26						
7							27						
8							28						
9							29						
10							30						
11							31						
12							32						
13							33						
14							34						
15							35						
16							36						
17							37						
18							38						
19							39						
20							40						

46—5703 R6/82

ACCOUNT TYPE → U - USE FUEL M - MOTOR CARRIER B - BOTH

Attachment D
Prepared by AASHTO
February 21, 1984

COMPARISON OF EXISTING HEAVY VEHICLE USE TAX TO ALTERNATIVES

Issue	STAA Heavy Vehicle Use Tax (HVUT)	Weight Distance Tax	Ton-Mile Tax	Diesel Differential Tax	Combination Diesel Differential & HVUT
Description	A tax on the use of any highway motor vehicle which has a taxable gross weight of at least 33,000 pounds and used more than 5,000 miles of public highways (PL 97-424 Sec 513(a)).	Any highway use tax that uses both operating vehicle weight and distance traveled on public highways over a specific time period to establish the tax liability of a specific vehicle or fleet of vehicles (513g, p. VI-8). Operating vehicle weight may be registered (declared) gross weight, axle weight or number of axles (Oregon, p. 4).	Any highway use tax that uses both actual vehicle operating weight and distance traveled on public highways for each vehicle trip (513g, p. VI-8).	An increase in existing diesel fuel tax for highway motor vehicles with a gross vehicle weight in excess of 10,000 pounds (H.R.2124-S.1445).	A tax utilizing a portion of both the existing STAA/HVUT and the proposed diesel differential tax (PTCA p. 8 NMCAC, DOT 513g alternatives 1 through 7, et al).
Impact on Existing Tax	No effect as this is an existing tax.	Could be utilized in lieu of any individual existing tax, all existing taxes, or any combination of taxes. Generally believed to replace all existing taxes except fuel taxes.	Same as weight distance tax.	H.R.2124 and S.1475 would repeal STAA/HVUT.	Proponents would repeal STAA/HVUT.
Revenues	At the time of enactment the HVUT was estimated to generate $4.9 billion for FY83-FY88 whereas it is currently estimated by the U.S. Treasury at $5.7 billion. The total revenue from all taxes in STAA was originally estimated to be $72.2 billion for FY83-FY88 whereas it is now estimated to be $73.3 billion. For FY84-FY88 the total tax is now estimated to be $65 billion. Truck tax portion of the total taxes was estimated to be 28 percent or $17.8 billion whereas they are now estimated to be 26.4 percent of $17.18 billion. (513g-VI7)	Could be established and subsequently adjusted to generate any desired amount of revenue.	Same as weight distance tax.	Same as weight distance tax but H.R.2124 would generate only $62.8 billion ($2.2 billion less than STAA) for FY84-FY88. DOT computes revenue based on 5.7 miles per gallon for FY85 and 6.4 mpg for FY89; ATA uses 4.8 mpg. It is anticipated that the average mpg will improve considerably as new energy saving technology is put in use, thus further reducing revenue generated by a fuel tax. Reportedly, a .05 mpg saving would reduce STAA rates by $134 for an 80,000 pound vehicle traveling 105,000 miles per year.	Same as weight distance tax but PTCA proposal for FY84-FY88 would generate only $63.8 billion ($1.2 billion less than STAA) and NMCAC would generate only $62.7 billion ($2.3 billion less than STAA). DOT alternative 4 generates $65 billion-the same as STAA.

Issue	STAA Heavy Vehicle Use Tax (HVUT)	Weight Distance Tax	Ton-Mile Tax	Diesel Differential Tax	Combination Diesel Differential & HVUT
Rates	33,000 to 55,000 pounds at $50 a year, plus $25 for each 1,000 pounds or fraction in excess of 33,000 pounds. 55,000 to 80,000 pounds at $600 a year plus a graduated rate between 1984 and 1988 of $40 to $52 for each 1,000 pounds or fraction in excess of 55,000 pounds. The maximum tax ranges from $1,600 in 1984 to $1,900 in 1988 and thereafter. 80,000 pounds or more at the maximum tax. (PL 97-424 Sec. 513(a))	A graduated schedule of fixed rates expressed in terms of registered gross weight, axle weight, or number of axles. The rate expressed in the schedule would depend on the amount of revenue desired, ratio to cost responsibility to be attained, and categories of vehicles to be included. For example, to replace existing retail excise, heavy truck use and tire taxes with equal revenue for fiscal year 1985 a weight distance tax rate for combination vehicles would range from 1.94 cents per mile for 33,001 to 35,000 pound vehicles to 4.56 cents per mile for 80,000 pound vehicles. (513g-VI 13) For a tax to replace HVUT only the range would be 3/4 of a cent per mile for 70,000 pound vehicles to 5.05 cents per mile for 80,000 pound vehicles. (Sydec VI-12)	A flat fee for each ton-mile of operation creating a different rate for each vehicle trip depending upon the actual weight of the cargo for that trip. No suggested rates have been developed.	The amount of cents per gallon would depend upon the amount of revenue to be raised. H.R.2124 would impose an additional 5 cents per gallon or a total tax of 14 cents. Only 12.44 cents would go to the highway trust fund as STAA provides that 1/9 of all diesel tax go to the public transit trust fund. Five cents per gallon translates to about one cent per mile for heavy trucks.	There could be an infinite number of combinations of rates depending upon the ratio between the added diesel tax and the truck use tax applicable to different vehicle weights. For example, the FTCA proposal would increase the diesel tax 2 cents per gallon and impose a use tax of $4 per 1,000 pounds for vehicles less than 55,000 pounds and one-half of STAA/HVUT (max. $950) for vehicles over 55,000. DOT-4 would increase the diesel tax 6 cents per gallon and impose a use tax of $50 plus $24 per 1,000 pounds for vehicles over 55,000 pounds (max. $650).

Issue	STAA Heavy Vehicle Use Tax (HVUT)	Weight Distance Tax	Ton-Mile Tax	Diesel Differential Tax	Combination Diesel Differential & HVUT
Equity -(Expressed as a ratio of revenue to highway cost responsibility as determined by the Federal Highway Cost Allocation Study where 1.00 is the perfect ratio.)	Ratio for heavy trucks over 75,000 pounds is .66 and 1.14 for single unit trucks--i.e., heavy trucks underpay and single unit trucks overpay. (513g, VI-6) This represents an improvement over the previously existing low where the ratio was .60 for heavy trucks and 1.95 for single unit trucks but is considerably less than recommended by the Administration which was .84 for heavy trucks and 1.09 for single unit trucks. (513g-II-11) Trucks with relatively low mileage overpay due to lump-sum tax per vehicle (Sydec VI-7)	Assuming the tax replaces all existing taxes except fuel, ratio would be .93 for both heavy trucks over 75,000 pounds and single unit trucks. For the tax to replace only the HVUT the ratio would be .88 for heavy trucks and 1.12 for single unit trucks (Sydec VI 20-21)	This alternative was not considered in any major study. It is assumed the ratio could be comparable to the weight-distance tax.	Ratio for H.R.2124 would be .58 for heavy trucks and 1.19 for single unit trucks. (513g-II-11, VI6). This ratio is worse than the .60 ratio which existed prior to STAA. For a diesel tax amounting to 7.9 cents (amount required to generate revenue to replace STAA/HVUT) the ratio would be .67 for heavy trucks and 1.26 for single unit trucks. (Sydec VI-16) Vehicles with relatively poor fuel efficiency overpay since they pay more in fuel taxes on a per mile basis. (Sydec VI-7)	Ratio would vary depending upon alternative. The ratios for all of the alternatives considered by DOT would be comparable or worse than the ratios for STAA. None of DOT alternatives would achieve the .84 ratio for heavy trucks recommended by DOT before STAA. (513-II-11, VI-6) For the PTCA proposal the ratio would be .63 for heavy trucks and 1.15 for single unit trucks. For the NMAC proposal the ratio would be .59 for heavy trucks and 1.16 for single unit trucks. The seven DOT proposals range from .60 to .68 for heavy trucks and 1.15 to 1.27 for single unit trucks. For DOT-4 the ratio would be .67 for heavy trucks and 1.17 for single unit trucks.

Issue	STAA Heavy Vehicle Use Tax (HVUT)	Weight Distance Tax	Ton-Mile Tax	Diesel Differential Tax	Combination Diesel Differential & HVUT
Administrative and Compliance Costs (annual to both the federal government and the states)	$171 million. Conceivably a taxpayer could file 12 forms a year. Number of returns processed exceeds those of any other highway tax. Difficulty defining taxable gross weight. (513g-VII-8)	$122 million. This is the lowest amount for any of the alternatives because it will recover an estimated $38 million of other taxes presently being evaded. "While administrative costs will vary depending on the extent to which mileage is verified, States that impose weight-distance taxes have been able to keep administrative costs low." For example, Oregon ranges from 5 to 7 percent (513g-VII-11); Arizona is less than 1 percent. These costs can be expected to be reduced for a national tax because it would not be necessary to account for mileage by state. "If a mileage record were to be established at the state level first, a weight-distance tax could be administered more expeditiously and cost effectively." (513g-VII-11) Will reduce ability of motor carriers to avoid payment of prorated state registration fees and fuel use taxes (Sydec VI-24)	Amount not available but estimated to be considerably larger than any other alternative. Records must be maintained for each vehicle trip creating a burden on industry and a large enforcement cost due to considerable amount of detailed auditing required.	$211 million. Federal and state governments presently experiencing difficulties due to large number of returns required, diversion of home heating oil to vehicle use, and large number of exemptions necessitating refunds to more people than paying the tax. These problems will be exacerbated if the tax is increased. (513g VII-9)	Amount not available but estimated to be larger than for weight distance tax because it combines a portion of the costs applicable to both the HVUT and diesel differential tax. (513g VII-10).

Sources: Surface Transportation Assistance Act of 1982 (STAA).
U. S. Department of Transportation "Report on Alternatives to Tax on Use of Heavy Trucks" (513g).
AASHTO Study on Motor Carrier Taxation and Registration Issues (Sydec).
Oregon's Weight-Distance Tax: Theory and Practice by Merriss and Henion (Oregon).
Questions and Answers on Weight-Distance Taxes (Arizona).
Private Truck Council of America testimony before Senate Committee 2/1/84 (PTCA).

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

WILLIAM A. ORDWAY, President
Director
Arizona Department
of Transportation

FRANCIS B. FRANCOIS
Executive Director

February 27, 1984

The Honorable Robert Dole
Chairman, Senate Finance Committee
2227 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

During our testimony before your Committee on February 9, Thomas D. Larson, Secretary, Pennsylvania DOT, stated that the AASHTO Executive Committee had approved a Resolution concerning federal taxation of heavy trucks but that this Resolution had not yet been considered by the Policy Committee and, therefore, could not be considered an AASHTO position. At this time I would like to inform you that the AASHTO Policy Committee has met, and endorsed this resolution.

The AASHTO Policy Committee met on February 24 and, with more than two-thirds of the states' approval, adopted the previously approved Executive Committee Resolution included with our testimony. For your convenience a copy of the Resolution indicating approval by the Policy Committee is attached.

In brief, AASHTO believes that if Congress changes the existing heavy vehicle use tax, the substituted tax should be at least revenue neutral for highway purposes and provide equal equity among highway users and be administratively efficient. AASHTO believes that to accomplish these goals Congress should consider a state administered weight-distance tax to replace all other federal highway user charges except fuel taxes.

AASHTO believes that the states generally have in place mechanisms for reporting the weight of heavy trucks and the miles they travel, and procedures and personnel for verification of these data. In this regard and in order to address an issue of considerable concern to the motor vehicle industry, the AASHTO Policy Committee also considered and adopted by the required two-thirds vote of all the states a Resolution concerning uniformity of state regulation and taxation of motor carriers. A copy of the Resolution is attached. This Resolution varies slightly from that included with our testimony in that the third sentence of Resolve (2) has been expanded, by adding the clause "and, when feasible, based on percentage of mileage driven in each state."

EXECUTIVE OFFICE: 444 N. Capitol Street, N.W., Suite 225 Washington D.C. 20001 Telephone (202) 624-5800

Again, I wish to point out that AASHTO developed these policy positions after an in depth six-month review by a specially formed Steering Committee composed of chief administrative officers of 13 states and the engagement of System Design Concepts, Inc. and Harold A. Hovey as consultants. A copy of their report was previously provided members of your Committee. We believe our analysis is in greater depth than has ever been done before.

We trust these policy statements of AASHTO will be of assistance to your Committee as it considers taxation of heavy trucks. We stand prepared to respond to any questions you may have, or to provide further assistance where possible.

Very truly yours,

Francis B. Francois
Executive Director

FBF:WTD:cam
attachments

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

WILLIAM A. ORDWAY, President
Director
Arizona Department
of Transportation

FRANCIS B. FRANCOIS
Executive Director

RESOLUTION CONCERNING FEDERAL TAXATION OF HEAVY TRUCKS

WHEREAS the Congress in the Surface Transportation Assistance Act of 1982 has enacted needed funding for highway purposes and a system of taxation to achieve such funding;

WHEREAS the U.S. Department of Transportation is conducting studies examining alternative methods of taxing heavy trucks;

WHEREAS the Congress is likely to consider alternative taxes for heavy trucks during its session in 1984;

WHEREAS the nation's state highway and transportation officials have a vital interest in truck taxes that adequately finance the nation's highway system and provide equity in paying for that system;

WHEREAS the member departments of AASHTO have conducted a detailed analysis of alternative methods of taxing heavy trucks under the guidance of a Steering Committee, which was concluded on December 31, 1983 with the submittal of a final report that evaluates the fairness and practicality of the alternatives;

WHEREAS the Steering Committee study found that truck taxes based upon a combination of the weight of vehicles and the distance they travel more equitably distribute financing responsibility proportional to costs imposed on the system than other tax alternatives;

WHEREAS the Steering Committee study found that truck taxes based on a combination of the weight of vehicles and the distance they travel provide greater equity than a tax based on either of these two factors alone;

WHEREAS the existing federal excise taxes on truck sales and tires represent a one time payment in advance of highway use causing a greater burden on motor carriers than taxes which are paid periodically based on use; and

WHEREAS the states generally have in place mechanisms for reporting of the weight of heavy trucks and the miles they travel and procedures and personnel for verification of these data;

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NOW THEREFORE BE IT RESOLVED:

(1) No truck tax should be substituted for the current heavy vehicle use tax unless such tax raises at least equal revenues for highway purposes, provides at least equal equity, and is administratively efficient.

(2) A federal weight-distance tax should be considered as a replacement for the heavy vehicle use tax and all other federal highway user charges except fuel taxes. This tax should be designed to yield at least equal revenues for highway purposes and to provide equity among users.

(3) Such a tax should be administered by state governments with federal reimbursement for the costs involved.

As adopted by the AASHTO Policy
Committee meeting in Washington,
D.C. on February 24, 1984, by more
than the required two-thirds
majority of all the states.

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

WILLIAM A. ORDWAY, President
Director
Arizona Department
of Transportation

FRANCIS B. FRANCOIS
Executive Director

RESOLUTION CONCERNING UNIFORMITY OF STATE REGULATION AND TAXATION OF MOTOR CARRIERS

WHEREAS current state practices result in multiple state registration and tax reporting requirements which cause higher administrative costs for states and compliance costs for motor carriers than necessary;

WHEREAS some persons are seeking to use this situation to eliminate certain state taxes and others are seeking to use it to give unprecedented authority over state taxes and registration procedures to the federal government;

WHEREAS the states have demonstrated, in the International Registration Plan, that multi-state arrangements which allocate tax revenues by mileage in each state are feasible and reduce paperwork and reporting burdens for motor carriers without jeopardizing state revenues.

NOW THEREFORE BE IT RESOLVED:

(1) There should be no federal restrictions on the ability of the states to enact and set the rates of major highway use taxes based upon registration, fuel purchase and use, and the weight of the vehicle and distance traveled.

(2) That uniformity be achieved at a minimum for registration and fuel use reporting through a system premised on base state reporting of mileage and fuel purchased by state. This system would cover both inter- and intra-state trucks and encourage a single institutional contact and a single form for reporting in each state. In addition, efforts to achieve uniformity specifically should exclude any proposal that would limit the states' ability to determine type and rate of taxation, such type and rate of taxation being equally applicable to interstate and intrastate trucking, and, when feasible, based on percentage of mileage driven in each state. There should be an institutional mechanism to administer and enforce the uniform system. This institutional mechanism would have certain basic functions including data processing and central storage and retrieval, exchange of data from required reports of motor carriers and from all field data relating to enforcement, administration of a combined IRP and fuel tax, and establishment of standards for auditing and other items necessary to minimize tax evasion. The institutional mechanism would also perform additional functions on a voluntary negotiated basis as the states find necessary.

(3) A task force should be convened by the states to consider and recommend mechanisms by which the states can implement the concepts stated above. This task force should involve representatives of AASHTO, the NGA and other interested organizations of state officials including regulatory commissioners, tax administrators, vehicle administrators and legislators.

(4) The institutional mechanism adopted by the states should not involve perpetual subsidies to any state.

As adopted by the AASHTO Policy
Committee meeting in Washington,
D.C. on February 24, 1984, by more
than the required two-thirds
majority of all the states.

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STATEMENT OF DON A. WILSON, DISTRIBUTION SYSTEMS MANAGER, DAIRY GROUP, THE SOUTHLAND CORP., DALLAS, TX, ON BEHALF OF THE PRIVATE TRUCK COUNCIL OF AMERICA, INC., WASHINGTON, DC

Mr. WILSON. Mr. Chairman, Senator Symms, Senator Long: I am Don Wilson, distribution systems manager for the dairy group of the Southland Corp. in Dallas, TX, also the elected president of the Private Truck Council of America. With me today, on my right, is our Executive Vice President Richard Henderson, on my left is our Legislative Counsel Richard Schweitzer.

For the record, I will submit our extensive testimony, and I will attempt to highlight it briefly at this point.

We are the only independent national organization solely representing the private truck operators. In 1983, private carriage was estimated to account for some 66 percent of all motor carrier traffic on our Nation's highways. The Private Truck Council currently represents approximately 1,500 corporations engaged in private carriage with an excess of 2 million trucks currently in service.

PTCA is vitally concerned with ensuring the adequate funding to revitalize the Nation's highway system; however, we are equally concerned that the fees instituted to generate those funds are equitably assigned to the various classes of users.

Senator Symms, if I might, I would like to also remind the committee of what I think the chairman mentioned earlier, the deliberations in this room in December 1982. I was present for those deliberations. I heard the chairman at that time challenge the industry to step forward and offer Congress some alternatives or a proposal, lest this committee be charged with the responsibility of writing something for the industry.

I would note for the committee's reference and record that we were the organization in the industry that did step forward and attempt to institute a compromise. I think you will find that the basis of the bill that was passed by the Senate at that time was the genesis of the legislative compromise we proposed, with something in the area of a $1,200 maximum tax on the use tax at that time. That is obviously not the result of the STAA as it ended in a conference between the two Houses.

I guess really the key question today—we have obviously, again, submitted alternative proposals, as they are listed in the DOT report to Congress.

Again, we have heard "revenue neutrality." We, the Private Truck Council, have attempted to deal now for over a year in this arena of revenue-neutrality. We felt that that was the only politically viable alternative. Not that we necessarily agreed with the total taxes, but we felt those were the only cards in the hand available for us to play, if you will.

The question is, what is revenue-neutrality? It is our impression that the intent of Congress in the passage of the STAA was to generate something in the area of $72.2 billion in yield over a period of 6 years. However, you have now seen in your own report from the DOT that in the first year of the existence of the new act the yield has been estimated to have increased already, to $1.1 billion in the first year.

It is our contention that "revenue-neutrality" should be confined to the original estimated figure contained in the STAA as it was passed and not to this ever-escalating figure. If that be the case, we firmly believe our original proposal as contained in the report is not $1.2 billion revenue-short; we firmly believe that, based on the original neutrality number, our report is probably within plus-or-minus $100 million of revenue-neutral.

Again, I guess the question I would raise for the record and the panel's consideration is the definition of "revenue neutrality."

We suggested over a year ago that the data base used to justify the tax rates was, if you will, deficient, be it either due to a defective data base, due to the age of the data involved, due to a lack of sophistication. It is our belief that the report just returned to Congress confirms, indeed, with that much of an escalation in the first year, that our numbers and data base, determined from a member survey in this past April, indeed is more likely accurate than the numbers used in the 1977 justification.

I guess I would have to ask again, for the committee's benefit, if the DOT 4 exempts another 700,000 trucks from the use tax, do you have any idea how many million will be paying the additional fuel tax?

I would suggest if you look at the vehicle weight classes as a pyramid, with the heaviest grouping at the top of the pyramid, as you raise those taxes and you substitute the fuel tax in lieu of, you are coming back down the pyramid, and you are adding an additional burden on millions of new taxpayers that were previously exempted under the existing law.

DOT estimates that in 1985, in the 10-26,000 pound range, diesel vehicles would account for only 4.7 percent of the total number of vehicles in that weight category; however, our survey indicates that diesel vehicles in that category are somewhere in the area of 25 percent.

Sales figures in 1981 and 1982 showed approximately a 33 percent increase in diesel vehicles. How could that data be that far off? We believe that the projections made for 1985 in the 1983-88 period were based on economic indicators and general business activity and didn't adjust for the diesel conversion in the ensuing period of time.

PTCA's 2-cent per gallon diesel differential and these extra 1 million vehicles traveling an average of some 50,000 annual miles will pay an extra $92.5 million per year in fuel taxes. This is just for one weight category, and over 5 years it alone makes up almost 40 percent of the $1.2 billion shortfall assigned in the PTCA proposal.

I guess, Mr. Chairman, if you would permit me, in closing I would also stress that I believe in the original deliberations the administration promised, if not implied, a quid pro quo for the industry, if you will—productivity in return for increased fees. Well, we are not asking for universally in-transit passage for all combinations and all situations. Our members must have access to points of pickup and delivery. The minimum 48-foot, 102-inch wide trailers and 28-foot twin trailers used in the so-called "national network" mean enhanced productivity to a very few large carriers, unless that same equipment can be used interchangeably for both local pickup and delivery as well as interstate movement.

The industry has been paying increased taxes since last April and faces an approximate 700 percent step increase in July, and as yet has received little or none of the promised gain in productivity.

At this point, Mr. Chairman, I would like to thank you for the opportunity to be here today, and I would entertain any questions that the committee might have.

[Mr. Wilson's prepared statement follows:]

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STATEMENT OF

DON A WILSON, PRESIDENT

PRIVATE TRUCK COUNCIL OF AMERICA, INC.

ON

ALTERNATIVES TO THE USE TAX ON

HEAVY TRUCKS

UNDER THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

before the

COMMITTEE OF FINANCE

UNITED STATES SENATE

FEBRUARY 9, 1984

DEVOTED EXCLUSIVELY TO THE INTERESTS OF PRIVATE TRUCK OPERATORS

TESTIMONY BEFORE THE SENATE COMMITTEE ON FINANCE

SUMMARY

The Private Truck Council of America, representing the interests of approximately 1,800 corporations and over 2,000,000 trucks engaged in private carriage operations, has spent the last two years assessing the impact of increased federal user fees on the trucking industry.

The study included analysis of use tax increases (now incorporated in the Surface Transportation Assistance Act of 1982) and alternative measures implementing additional fuel taxes in lieu of a use tax. A membership survey on truck weight, population, and annual mileages produced a data base of almost 100,000 trucks; the results of the survey and analysis indicated that PTCA can endorse neither the STAA use tax schedule nor a 5¢ per gallon diesel differential.

As a result, PTCA developed its own tax proposal incorporating as a basis for tax liability both a proportional tax payment by truck weight, and an increased emphasis on fuel consumed.

The PTCA plan is as follows:

1) a) STAA use tax schedules are eliminated;
   b) Vehicles 33,000 pounds and over but less than 55,000 pounds pay a use tax of $4 per thousand pounds;
   c) Vehicles 55,000 pounds and over pay a use tax equal to one-half of their 1988 STAA liability (maximum of $950 for an 80,000 pound vehicle);
   d) Vehicles traveling less than 5,000 miles annually are exempt.
2) A 2¢ per gallon diesel fuel differential is levied on all vehicles 10,000 pounds and over.

I. INTRODUCTION

My name is Don Wilson. I am Distribution Systems Manager for the Dairy Group at The Southland Corporation in Dallas, Texas, and President of the Private Truck Council of America. With me today is our Executive Vice President, Richard Henderson, and our Legislative Counsel, Richard Schweitzer, and John DeVierno of the law firm of Billig, Sher & Jones, P.C.

In 1983, private carriage accounted for 66% of all motor carrier traffic on our nation's highways.[1] The Private Truck Council of America represents the interests of approximately 1,500 corporations engaged in private carriage with over 2,000,000 trucks in operation. Our members include many Fortune 500 corporations as well as numerous smaller concerns.

PTCA is vitally concerned with ensuring that adequate funding is provided to revitalize the national highway transportation system. However, we are equally concerned that the fees instituted to generate these funds are equitably assigned to the various classes of highway users.

In this testimony we will discuss:

1) The impending use tax provisions of the Surface Transportation Assistance Act of 1982 (STAA) as well as the implementation of certain "productivity" measures under that act;
2) A current legislative proposal to replace the STAA use tax structure with an increased diesel fuel tax; and
3) The PTCA approach to equitable taxation, incorporating the benefits of each of the above plans.

As an alternative to the disproportionately burdensome use tax schedules of the STAA, PTCA analyzed the effect of a 5¢ per gallon increase in the diesel fuel tax. In April, 1983, we surveyed our membership on weight, mileage and truck population figures, and received a data base of almost 100,000 trucks. We have spent countless staff hours assessing the annual tax liability per truck and the total revenue generated by each plan. The result of our study was that we could not endorse either the existing STAA use tax schedules or a 5¢ diesel differential. We therefore have developed our own proposal for federal highway user fees.

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[1] Fleet Owner Magazine, January, 1984, Vol. 79, No. 1, p. 61.

II. SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

When Congress set out in late 1982 to enact legislation raising revenue to rebuild the nation's highway system, the consensus was that those highway users most responsible for road deterioration should bear the brunt of reconstruction costs. Based on a somewhat controversial U.S. Department of Transportation cost allocation study delivered to Congress in 1982, under pre-1982 law heavy trucks (particularly combination vehicles over 75,000 pounds GVW) were not paying fuel taxes and user fees proportionate to their allocated share of pavement damage causation.

As a result Congress passed the Surface Transportation Assistance Act of 1982. In addition to raising motor fuel taxes from 4¢ to 9¢ per gallon and raising the taxes on truck tires, the STAA raised the heavy truck use tax from a straight scale of $3 per 1,000 pounds ($240 annually for an 80,000 pound vehicle) to a progressive scale increasing the rates for heavier trucks, requiring for the same 80,000 pound vehicle a fee of $1,600 in 1984 and $1,900 by 1988. In addition to the use tax, the STAA changed the thrust of the excise tax, increasing the tax burden on heavier vehicles. The tax rate rose from 10% to 12% while the threshold weight rose from 10,000 pounds GVW to 33,000 pounds for truck chassis and bodies and 26,000 pounds for trailer and semi-trailer chassis and bodies.

To compensate for the increased taxes, the STAA allowed 48 foot long, 102 inch wide semi-trailers, 28 foot long tandem trailers, and 80,000 pound combination vehicles on a "National Network" of interstate and designated federal-aid primary highways. According to statements made by the Department of Transportation during the legislative deliberations, the cost efficiencies of the new size, weight and tandem requirements would produce a tremendous net revenue gain for the trucking industry even after payment of the higher taxes.

The Federal Highway Administration was to designate in final rulemaking all the state primary roads in the National Network by October 3, 1983. However, on September 14, 1983, FHWA published a Notice of Proposed Rulemaking indicating that as of that date only 39 states had agreed with FHWA's route designations and that five states had pending actions in U.S. District Court to remove federally designated routes from the network. The FHWA and the Justice Department had to enjoin the state of Connecticut in Federal Court from enforcing a state law banning tandem trailers on Connecticut highways. Although the court ruled in favor of the Federal Government, Connecticut has now instituted tandem trailer driver certification requirements which have effectively restricted the available pool of tandem rig drivers to a handful who have met to overrigorous qualifications. FHWA has done nothing to ease this undue restriction on legal tandem operations, perhaps implying that only the most blatant constitutional violation will be sufficient to spur federal action to relieve state interference.

Nor has the FHWA indicated when the industry might receive any final designation of routes in all 50 states and the District of Columbia. Interim designations change on an almost weekly basis in Pennsylvania, and the prospects of court decisions and federal-state "agreements" make route designations in eleven states subject to change at any moment. The October 3, 1983 deadline has passed with no resolution of the issue.

Even more critical is the issue of access to the National Network. The STAA requires that states allow vehicles with the new authorized dimensions reasonable access between the National Network and terminals, facilities for food, fuel, repairs and rest, and access to points of pick-up for carriers of household goods. Unfortunately, the FHWA has allowed the states to establish individual definitions of reasonable access, promoting confusion and unpredictable enforcement procedures.

In the September 14, 1983 Federal Register NPRM, the FHWA published a table of state access provisions. Eighteen states allowed unlimited access to and from the designated routes. Others restrict access to one-half or one-fifth of a mile from the routes. Twelve states had no policy whatsoever; five states required permits for any access, and three states indicated they were awaiting a federal definition in the NPRM.

While PTCA is not asking for universal in-transit passage for all combinations in all situations, our members must have access to points of pick-up and delivery. Minimum 48' long and 102" wide semi-trailers, and 28' long tandem trailers used in the national network of designated highways mean enhanced productivity to a very limited few unless that same equipment can be used interchangeably for both local pick-up and delivery as well as interstate movement.

Consequently, the fifteen months of increased productivity prior to the onset of higher use taxes has been of limited assistance to the trucking industry.

Fleet owners have postponed decisions to purchase larger trucks and tandem trailers as long as the routes remain uncertain. With no federal definition of reasonable access permitting carriers reliable access to terminals and pick-up and delivery points, the promised cost efficiencies will never be realized.

Thus, the trucking industry has been paying an extra 5¢ per gallon fuel since April 6, 1983, and faces a 700% increase in use fees on July 1, 1984, while the corresponding productivity gains are hampered by resistance among the states and bureaucratic inertia.

The problems with the STAA use tax schedule are obvious:

1) It requires a lump sum payment, regardless of mileage; trucks running fewer miles on local routes pay the same rate as high-mileage over-the-road haulers; and
2) Heavy trucks are required to pay use taxes at almost 800% of the previous rates.

Unfortunately, these use tax rates will tend to discourage the use of the most efficient vehicles for transporting the nation's goods, thereby denying productivity benefits to the consuming public.

III. S.1475 - THE DIESEL DIFFERENTIAL

In response to the STAA's excessive burden on heavy vehicles, a number of bills have been introduced which supplant the use tax with an increased diesel fuel tax. S.1475 is the most widely discussed "diesel differential" bill -- it eliminates the heavy truck use tax and replaces the lost revenue with a 5¢ per gallon increase in diesel fuel taxes. Vehicles under 10,000 pounds are exempt and would receive an annual rebate for taxes paid. This plan reduces the excessive use tax on heavy trucks, removes the cash flow problems associated with lump sum payments, and establishes a "pay-as-you-go" system whereby taxes paid are proportionate to miles driven.

However, PTCA realizes that S.1475 is not a perfect, or even particularly attractive, solution for the entire trucking industry. The bill shifts the burden of payment for highway repair from large trucks to smaller vehicles -- all pay the same rate with the diesel differential. Under the STAA, vehicles less than 33,000 pounds were use-tax free. Under S.1475 a 10,000 pound truck would be taxed at the same rate as an 80,000 pound truck.

The DOT cost allocation methodology indicates that heavy trucks would not pay an equitable share of reconstruction costs if S.1475 replaced the STAA use tax. For combination vehicles over 75,000 pounds and a 5¢ per gallon diesel differential, DOT estimates a revenue/cost ratio of .58 (these trucks are therefore paying tax revenue equal to 58% of the pavement and structure damage costs assigned in DOT analysis) compared to a ratio of .66 for the same weight class using the STAA use tax schedule.

PTCA does object to the lack of sufficient consideration given environmental (non-allocable) factors in the DOT allocation of highway damage costs, and recognizes that industry analysis assigns a much different cost burden to the heaviest weight classes. However, PTCA accepts the argument that heavier trucks cause somewhat more wear and tear on pavements than lighter vehicles, and should therefore pay some higher share of user fees for maintenance and reconstruction. For this reason alone PTCA, representing over 2,000,000 trucks in operation, cannot support S.1475 or any legislation employing a straight diesel fuel tax without reference to vehicle weight.

In addition, S.1475 as introduced would not raise the same amount of revenue as the STAA use tax, resulting in reduced income for the Highway Trust Fund.

The DOT report to Congress on use tax alternatives, mandated by Section 513 (g) of the STAA, indicates S.1475 would raise $12.409 billion for fiscal year 1985 as oppdsed to $12.763 billion in estimated receipts from the STAA. The FY 1984-1988 total revenue figures show an even more dramatic shortfall: $62.8 billion for S.1475, $65.0 billion for STAA.

We have been advised in informal discussions with DOT that they estimate a truly revenue neutral differential would require an increased diesel tax of over 8¢ per gallon. Additional fuel tax without any use tax serves only to exacerbate the undue burden S.1475 would place on lighter diesel-powered vehicles.

IV. PTCA TAX PROPOSAL

Therefore, PTCA seeks to enact a compromise proposal which will:

1) significantly ease the STAA's oppressive use tax on heavy trucks; and
2) place greater emphasis on miles traveled as part of the basis for taxes payable.

This will ensure that heavier vehicles pay at a somewhat higher rate than lighter counterparts, thereby reducing the straight diesel differential's disproportionate burden on light trucks. Most important of all, the compromise will be virtually revenue neutral, raising almost the same amount of tax dollars as projected under the STAA use tax.

The proposed plan is as follows:

1) a) STAA use tax schedules would be reduced:

   i) Vehicles between 33,000 pounds and over but less than 55,000 pounds would pay a use tax of $4 per 1,000 pounds (pre-STAA law required $3 per 1,000 pounds).

   ii) Vehicles 55,000 pounds and over would pay a use tax equal to one-half of their 1988 STAA levels, with a maximum payment of $950 for an 80,000 pound truck.

   iii) Vehicles traveling less than 5,000 miles per year would be exempted from the use tax.

2) A 2¢ a gallon diesel fuel differential would be levied on all diesel vehicles 10,000 pounds and over.

A rebate mechanism, similar to one in existence for farmers and fishermen exempted from current diesel taxes, would be established for vehicles under 10,000 pounds.

The 2¢ would be capped at that level to prevent raising the figure by Executive Order. Should an increase be warranted, Congress would first have to remove the cap and then raise the tax; this procedure ensures the trucking industry will be allowed input on any proposed increase.

The law would be drafted so that 1/9 of the 2% fuel tax increase would not go into the Transit Fund, as it does under the current 9¢ fuel tax.

With our revised use tax schedule, trucks over 33,000 pounds pay substantially less than under the STAA. The heaviest trucks (55,000 pounds and over) pay only 50% of their 1988 assessment under the STAA. Yet the heavier trucks do pay at a higher rate than lighter trucks, as the assumptions of proportionate cost allocation require. The light trucks are therefore spared the undue burdens of a straight diesel differential and the revenue to cost ratio for vehicles over 75,000 pounds under the PTCA plan is .63 (compared to .58 for S.1475).

Finally, the PTCA tax proposal is revenue neutral. DOT revenue estimates in its report to Congress project fiscal year 1985 income of $12.763 billion from the STAA, and $12.587 billion from the PTCA proposal. Over a five year period from FY 1984-1988, STAA would purportedly raise $65.0 billion and the PTCA proposal $63.8 billion. This apparent $1.2 billion shortfall is narrowed considerably, however, when the DOT revenue model is examined.

When the STAA was passed in December, 1982, DOT estimated six-year revenues from the entire tax package to be $72.2 billion. At the time, PTCA protested that DOT's estimates were based on data that was either deficient or excessively conservative. However, the revenue figures were apparently deemed sufficient to cover the authorizations contained in the STAA.

Recent estimates in the January 1984 DOT Report to Congress on Alternatives to Tax on Use of Hevy Trucks already show a growth in expected six-year revenue to some $73.3 billion. This increase yield is now being used, in the same DOT report, to show the PTCA Proposal as $1.2 billion revenue short over the six-year period.

PTCA suggests this $1.1 billion increased yield estiate (after just one year) confirms our original contention that DOT's data was inedaquate. Furthermore, rather than being $1.2 billion revenue short, our alternative is more likely within plus or minus $100 million of the original six-year revenue yield accepted by Congress in its passage of the STAA.

The DOT projections are based on truck population and mileage data compiled in the 1977 Truck Inventory and Use Survey conducted by the Bureau of the Census and interpolated for the 1985 and 1984-1988 periods. PTCA asserts these population and mileage figures are grossly understated.

In order to accurately assess the effects of the STAA use tax on the trucking industry, we undertook in April, 1983, a membership survey on relevant weight, mileage and population data. Four hundred seventy seven fleets responded, representing almost 100,000 trucks. We respectfully submit that our data base is more current and extensive than any other research undertaken by any other organization, public or private, in this area. The resultant data revealed mileage figures substantially higher than those projected by the DOT revenue model. DOT estimates that in 1985 an 80,000 pound vehicle would travel an average of 65,000 to 70,000 miles per year.

The PTCA survey showed an average of over 89,000 miles per year for a similar size truck in 1982, and PTCA has no reason to believe this figure will decline significantly by 1985. The increased mileage figures raise revenue projections for the 2¢ diesel differential without affecting projected STAA use tax revenues.

The Department of Transportation has admitted in discussions that some of the trucks in their 1977 TIUS data were only in partial use, and that the 5,000 mile per year threshold for use tax liability would eliminate these part-timers and result in a higher average figure. PTCA asserts the higher mileage figures for taxable vehicles will raise total revenues under the PTCA proposal to such a level that any shortfall will be insignificantly minute.

Additionally, the increased use of mileage as a basis for tax liability in our proposal, along with the higher mileages of the PTCA survey data, reduces the difference in revenue/cost ratios between the two plans. Fuel taxes themselves are cost allocation devices, since heavier trucks get fewer miles per gallon and therefore use more fuel and pay more tax per mile than lighter vehicles.

Attached to this testimony is a chart indicating an annual use tax and/or diesel differential payment per truck, separated by weight classes, under the alternative plans.

Assuming the average annual mileage rates remain constant over the five year period, the taxes payable to columns (B), (C), (D), (E) and (F) will not change from 1984 to 1988. Thus, an 80,000 pound truck with average mileage would pay $1,261.24 yearly in use and diesel differential taxes under the PTCA proposal, as opposed to $1,600 in 1984 and $1,900 in 1988 under the STAA. By 1988, the savings amount to $638.76 per vehicle.

In conclusion, we ask the subcommittee to reassess the existing tax bias against heavy vehicles. In doing so, however, we advise the subcommittee to realize that smaller local route vehicles make proportionately less use of the federal aid highway system than their heavier, over-the-road counterparts, and we implore you not to fund the reconstruction of this federal system on the backs of the lighter weight vehicles.

We would now be happy to address any questions you might have.

A COMPARISON OF HIGHWAY TAX ALTERNATIVES - Revised 1/26/84

DATE/LBS.	(A) 1982 STAA	(B) S.1475 5¢ DIES.DIFF. (DOT EST) [1]	(C) 5¢ DIESEL DIFFERENTIAL (PTCA SURVEY MILEAGE EST) [2]	(D) 8¢ DIESEL DIFF. (DOT EST) [1]	(E) 8¢ DIESEL DIFF. (PTCA SURVEY MILEAGE EST) [3]	(F) PTCA PROPOSAL (PTCA SURVEY MILEAGE EST) [4]
JULY 1984						
10,000 lbs.	-0-	$ 44.07	$ 31.26	$ 70.51	$ 50.02	$ 12.50
22,000 lbs.	-0-	$164.27	$223.39	$ 262.83	$ 357.42	$ 89.35
33,000 lbs.	$ 50.00	$256.61	$333.57	$ 410.58	$ 533.71	$ 265.43
40,000 lbs.	$ 225.00	$322.58	$466.34	$ 516.13	$ 746.15	$ 346.54
55,000 lbs.	$ 600.00	$403.23	$680.84	$ 645.17	$1,089.28	$ 572.36
70,000 lbs.	$1,200.00	$599.31	$680.84	$ 958.90	$1,089.28	$ 962.36
80,000 lbs	$1,600.00	$689.65	$778.10	$1,103.44	$1,244.97	$1,261.24
JULY 1985						
33,000 lbs.	$ 50.00					
40,000 lbs	$ 225.00					
55,000 lbs.	$ 600.00					
70,000 lbs.	$1,200.00					
80,000 lbs.	$1,600.00					
JULY 1986						
33,000 lbs.	$ 50.00					
40,000 lbs.	$ 225.00					
55,000 lbs.	$ 600.00					
70,000 lbs.	$1,260.00					
80,000 lbs.	$1,700.00					
JULY 1987						
33,000 lbs.	$ 50.00					
40,000 lbs.	$ 225.00					
55,000 lbs.	$ 600.00					
70,000 lbs.	$1,320.00					
80,000 lbs.	$1,800.00					
JULY 1988						
33,000 lbs.	$ 50.00					
40,000 lbs.	$ 225.00					
55,000 lbs.	$ 600.00					
70,000 lbs.	$1,380.00					
80,000 lbs.	$1,900.00					

[1] These tax figures were calculated using average annual mileage estimates supplied by U.S. DOT.

[2] These figures calculated using average annual mileage estimates supplied by PTCA member survey.

[3] These figures represent tax payments under 8¢ differential which DOT claims is the rate necessary to be revenue neutral. PTCA survey mileage used.

[4] PTCA survey mileage used.

The CHAIRMAN. Your entire statements will be made a part of the record.

Senator Long, do you have questions?

Senator LONG. No questions, Mr. Chairman.

The CHAIRMAN. Senator Symms?

Senator SYMMS. Just one question to Don Wilson.

Don, specifically, What is it that you are recommending? The $1,200 use tax on the heaviest truck and——

Mr. WILSON. No, sir; the specific PTCA proposal as contained in the DOT report—we would propose a 2-cent diesel differential, a replaced fee schedule for the current use tax with a graduated range, with a maximum cap of $950 on the heaviest vehicle weight classes. That's the essence of the proposal.

It is our belief, as I say, that based on the original figures of $72.2 billion, we are within $100 million plus or minus a revenue-neutral by the DOT's data base.

Quite frankly, I believe, by our membership survey, over the 6-year period we are likely to be revenue-plus rather than revenue-neutral, and certainly not $1.2 million short.

Senator SYMMS. Do you think that this surplus is coming just because there are more people driving more cars, or more trucks on the road, or what?

Mr. WILSON. No, sir; we believe that the original data base was deficient. We believe the data base underestimated mileage, we believe it underestimated vehicle population by weight class, and we believe it underestimated the percentage of diesel vehicles to the total vehicle population group.

Senator SYMMS. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Durenberger?

Senator DURENBERGER. No questions, Mr. Chairman.

Senator LONG. I have a question for Mr. Larson.

The CHAIRMAN. Certainly.

Senator LONG. Mr. Larson, what is your suggestion on how to best finance the highway program?

Mr. LARSON. The suggestion of the ASHTO executive committee, at this point, is that a weight-distance tax imposed in a timely way is the best response to the issues that are before us.

Senator LONG. So you would use a weight-distance tax?

Mr. LARSON. A weight-distance tax, which is markedly different than the ton-mile tax, and I would point to that distinction. It is based on registered vehicle weight times miles traveled.

Senator LONG. Can that information be obtained to tell how many miles they traveled?

Mr. LARSON. Yes; as a complement to that recommendation I have offered, we suggest that, in fact, there be established a multistate bureau that would create a central focus point for collecting the data necessary to implement not only this tax but other taxes as well, so that there would be distance information.

Distance information is perhaps the commonest information available. It is used for a variety of other purposes, and we think that is readily established. Yes, sir.

Senator LONG. Now, the complaint is made that to pay all of this at one time is a great burden. Are you suggesting that perhaps this might be collected month by month rather than once a year?

Mr. LARSON. Yes; this would have a pay-as-you-go provision, and it is a tested technique. The State of Oregon has had a weight-distance tax in operation for some 36 years. The administrative costs are very low—5 to 7 percent. The compliance is 95 percent-plus. It is a tested alternative.

Senator LONG. Do you have more scales for weighing the trucks as they travel?

Mr. LARSON. The actual weight is not part of the proposal; it is, rather, the registered weights, which are determined when the truck applies for registration plates.

Senator LONG. And then you just measure the mileage on the speedometer?

Mr. LARSON. That is correct. Yes, sir.

Senator LONG. I see.

Mr. LARSON. It also has the advantage that it can be adjusted for the issue that Senator Symms raised regarding logging trucks and backhaul and seasonal use. There is, in fact, an application of a factor to apply for the percentage of the truck miles that are loaded miles, and that is readily adjusted.

Senator LONG. Well, now, is that tax proposal among the alternatives that were submitted by Mrs. Dole today?

Mr. LARSON. That was part of the information that was provided in the 513(g) report. Yes, sir.

It is not the one that was advanced as a recommended proposal.

Senator LONG. Thank you.

The CHAIRMAN. Thank you very much.

Yes?

Mr. WILSON. Mr. Chairman, I know I have exceeded my time. Could I make one additional comment?

The CHAIRMAN. Yes.

Mr. WILSON. The pay-as-you-go aspect is repeatedly referred to, and I readily understand the attractiveness of this differential. What is often overlooked or misunderstood is that the law currently provides a quarterly installment provision for the current use tax structure. So the front-end loaded, if you will, regardless of what the dollars are, there is some pay-as-you-go aspect in flexibility by the permission of the quarterly annual payment rather than the lump-sum advance annual payment, and I think that is often overlooked and misunderstood.

Thank you.

The CHAIRMAN. Thank you very much, and I am certain we will be back in touch with probably all of the witnesses as we get into whether or not we are going to do anything—which is one option, do nothing. If there is too much unhappiness with doing something, why, we can always do nothing.

Congressman Ireland has 5 minutes.

Andy, we are happy to have you here, and we appreciate your coming over. Your statement will be made a part of the record, and if you could summarize it would help us; we still have about 20 witnesses.

STATEMENT OF HON. ANDY IRELAND, U.S. REPRESENTATIVE FROM THE STATE OF FLORIDA

Mr. IRELAND. Mr. Chairman, I will be glad to read my statement, and it is a lot less than 5 minutes if I read fast. I appreciate your willingness to let me appear.

Several years ago, Mr. Chairman, my Subcommittee of the Small Business Committee in the House conducted the only set of Congressional hearings that have ever been held devoted solely to the problems of independent truckers. I feel that this makes us on the Committee familiar with the issues which affect the motor carrier industry, and have been involved in the fuel cost situation over the years, including the Interstate Commerce Commission's mandated fuel surcharge.

I appear here today in support of S. 1475 and its companion House measure H.R. 2124.

I will address three main points: The burden of the present taxes, the possibility of a less burdensome and more equitable tax, and finally, the general question of highway revenues.

Mr. Chairman, I believe that we need a well-constructed and fairly financed highway system in this country. The fact that throughout the Nation our roads are badly deteriorating not only alarms me but puzzles me as well. I do not believe that large trucks are the sole blame for this deterioration. certainly, they do place some stress upon the roadway and should pay a reasonable share of the upkeep on a pay-as-you-go basis, but this is not the whole story. We in the Congress must make it an urgent priority that our roads are built and repaired in the proper manner and that states receiving these funds in fact use the funds for said purposes.

Having said that, let me address the present tax. The heavy vehicle use tax is, in my opinion, an onerous one and bears no relationship to actual usage. To ask an average over-the-road trucker who owns one vehicle—in a sense, a traveling small business, if you will—to all of a sudden pay $1,600 upfront and in a few years $1,900 in one lump sum without even getting behind the wheel is unfair. Why should one trucker who drives say 7,500 miles and then becomes disabled for 11 months pay the same amount of money out of his pocket as another trucker who drives the whole year and puts 150,000 miles on his truck?

Most of the rest of our tax system, be it our Federal pay-as-you-go basis; why should we treat truckers any differently?

S. 1475 would repeal the heavy vehicle use tax and replace it with a 50 cent diesel differential applied only to trucks. Thus, we would receive taxes based on actual usage.

In addition, these taxes would be more affordable and would recognize the real-world cashflow problems which beset our Nation's truckers. Also, I would think the diesel differential could be easily administered and should make it difficult for people to fail to comply.

As for the total revenues, and I know you have had considerable testimony and will continue to have on this, I do not see why this bill would not be revenue-neutral. Studies have indicated this over the past.

May I state in conclusion that I believe the Nation's truckers, both the carriers and independents, are getting a bad rap as a result of being made financial scapegoats for the current tax system. Surely, they should shoulder some of the highway system's tax burden, but in a fair and equitable manner. Beyond that, it is up to us in the Congress to determine where these tax dollars are going and if indeed we are getting the product we need and are supposed to be paying for.

Mr. Chairman, I would like to add for the record a brief statement by an independent trucker to go along with that.

I conclude my remarks, sir, and thank you for your indulgence.

[Mr. Ireland's prepared statement with letter follows:]

STATEMENT OF REPRESENTATIVE ANDY IRELAND

Mr. Chairman, I appreciate the opportunity to appear before you today.

Several years ago my Subcommittee conducted the only set of Congressional hearings ever held devoted solely to the problems of independent truckers. Therefore, I am very familiar with issues which affect the motor carrier industry and have been very involved in the fuel cost situation over the years to include the International Commerce Commission's mandated fuel surcharge. I appear here today in support of S. 1475 and its companion House measure H.R. 2124.

I will address three main points - the burden of the present taxes, the possiblity of a less burdensome and more equitable tax, and finally the general question of highway revenues.

Mr. Chairman, I believe that we need a well-constructed and fairly financed highway system in this country. Our original system was built as part of an overall national security and defense strategy. These highways were to be built to carry our most advanced weapons systems from missile carriers to armored tanks. The fact that throughout the nation our roads are badly deteriorating alarms me, but also puzzles me. I do not believe that large trucks are the sole blame for this deterioration. Certainly they do place some stress upon the roadway and should pay a reasonable share of the up-keep on a pay as you go basis - but this is not the whole story. We in the Congress must make it an urgent priority that our roads are built and repaired in the proper manner and that states receiving funds in fact use the funds for said purposes.

Having said that, let me address the present tax. The heavy vehicle use tax is, in my opinion, onerous and bears no relationship to actual usage. To ask an average over-the-road trucker who owns one vehicle (a traveling small business, if you will) to all of a sudden pay $1600 up front and in a few years $1,900 in one lump sum without even getting behind the wheel is unfair. Why should one trucker who drives, say 7,500 miles and then becomes disabled for eleven months, pay the same amount of money out of his pocket as another trucker who drives the whole year and puts 150,000 miles on his truck? Most of the rest of our tax system, be it our federal withholding, our airline ticket tax, or whatever, is on a pay as you go basis. Why should we treat truckers differently?

S. 1475 would repeal the heavy vehicle use tax and replace it with a 5 cent diesel differential applied only to trucks. Thus, we would receive taxes based on actual usage. In addition, these taxes would be more affordable and would recognize the real world cash flow problems which beset our nation's truckers. Also, I would think the diesel differential could be easily administered and should make it difficult for people to fail to comply.

As for total revenue, I do not see why this bill would not be "revenue neutral". Studies have indicated that the legislation would result in just about the same amount of money being raised as the Department of Transportation expects from the current taxes. This does not even take into account the fact that there is supposedly a $9-10 billion surplus already in the Highway Trust

Fund. In addition, there seems to be some question as to exactly where the $12 billion DOT gave out last year has gone.

In conclusion, may I say that I believe the nation's truckers, both the carriers and the independents, are getting a bad rap and as a result are being made financial scapegoats by the current tax system. Surely they should shoulder some of the highway system's tax burden, but in a fair and equitable manner. Beyond that, it is up to us in the Congress to determine where these tax dollars are going and if indeed we are getting the product we need and are supposedly paying for.

I have attached to my statement a copy of a statement from Theodore Brooks, an independent trucker from Baltimore, who speaks for three independent trucking groups. If I may, I would like to just quote briefly from it and thus enlarge upon my point questioning where the highway money is going at the present time.

TRUCKERS
ACTION
CONFERENCE

1109 PLOVER DRIVE • BALTIMORE, MARYLAND 21227
301-242-0507

February 9, 1984

Mr. Chairman and Members of the Senate Committee on Finance:

My name is Theodore Brooks. I am Director of Truckers Action Conference and a member and past president of the Maryland Independent Truckers and Drivers Association. I own and operate a truck; I have done so for nearly 20 years.

I am submitting this statement on behalf of the Truckers Action Conference, the Maryland Independent Truckers and Drivers Association, and the Central Pennsylvania Truckers Association. In addition to the remarks included here, we would also like to endorse the remarks being presented to the Committee by Representative Andy Ireland, Chairman of the House Subcommittee on Export Opportunities and Special Small Business Problems.

I could tell you how tough things are for truck owner-operators---and they are. I could tell you that we truckers can't really afford any more taxes---and we can't. I could tell you that some railroads use unfair tactics to encourage States to enact third structure taxes---and they do. But others have, or will, tell you about those things more effectively and with more substantive evidence than I can gather.

Instead, I'd like to talk about the highways we truckers use each day--the ones for which we are being asked to pay even more taxes in order to build and maintain them. And I'd like to tell you what some States are doing with the five cents a gallon tax that the Congress gave them under the Surface Transportation Assistance Act of 1982.

This past Monday, I drove from Baltimore to York, Pennsylvania over Interstate 83, which is one of the worst highways in this Nation. It is a continuous stretch of broken pavement, potholes, and ski-jump bridge approaches. It was a miracle that I was able to get to York without my trailer breaking in half and spilling 22 tons of hydrocloric acid all over the road. A Maryland highway crew was working near Hereford, Maryland, but they weren't repairing potholes or bridges. They were chopping down trees about 30 feet from the highway.

Pennsylvania hasn't done much about its roads as far as I can see but they have bought a lot of new signs that say "BUMP."

I don't see much improvement in Ohio roads; but they have, in the past year, changed their weigh station operations from 16 hours, 5-days-a-week to 24 hours, 7-days-a-week. I realize that these stations will generate some revenue that will go toward improving Ohio's roads. But we need the improvements now. We need to see some results coming from the 5 cents a gallon tax that all motorists started paying on April 1, 1983.

The point is that it is a demonstrable fact that no matter how much money is given out, some of the States are going to have poor roads because they are going to waste the money or divert it to other uses.

If the contractors don't do their job properly and the inspectors aren't doing their job, the inevitable result is a bad road which wears out far before its time.

Incidentally, there are definite patterns of highway quality. Each State has its own highway characteristics which usually persist statewide. Oddly enough, some of the States with the heaviest taxes have the poorest highways. This fact alone frightens us truckers who are being asked to pay even higher taxes. Some State administrators have shown themselves to be capable and responsible in giving the motoring public its moneysworth in good highways by using presently available funds. Unfortunately, this group comprises only about 35 percent. I'd say the rest range from mediocre to deplorable. The trucking industry has the right to expect fair return for its tax dollars. At the present time, this is not happening in the majority of the States. This is a major reason that we oppose the weight-distance tax proposals being advanced by some.

We support S. 1475 because it would make the tax fairer by tying it to actual highway use. It would ease the trucker's cash flow situation by putting the tax on a pay-as-you-go-basis rather than making it payable in a heavy lump sum. As we stated before, we are concerned over this higher tax. But if we must pay it, we want to get our money's worth. We don't think this will happen unless the Congress directs the Department of Transportation to establish performance standards as a condition of receiving Federal funds.

And as another consideration, at a recent Transportation Research Board workshop, I suggested that a truck is the logical vehicle to determine the quality of construction and repair. Quality of workmanship and the smoothness of the road surface are essential to long highway life.

We hope you will consider these suggestions as you deliberate S. 1475.

The **Chairman**. Thank you very much.

We have no questions. We will make the additional material a part of the record. Thank you for coming.

Mr. **Ireland**. Thank you.

The **Chairman**. Now we will call Lawrence Thompson, Chief Economist, U.S. General Accounting Office.

Mr. Thompson, if you can summarize your statement and point out the highlights, obviously your entire statement will be made a part of the record.

We are pleased to have you here today.

STATEMENT OF LAWRENCE H. THOMPSON, CHIEF ECONOMIST, U.S. GENERAL ACCOUNTING OFFICE, WASHINGTON, DC

Mr. **Thompson**. Thank you, Mr. Chairman.

I am accompanied by James Bothwell of my staff.

In response to a request from this committee, we analyzed the likely economic effects of the Surface Transportation and Assistance Act on the commercial trucking industry, considering both the positive and negative economic effects of the act—on the one hand, the increase in taxes; on the other hand, the increase in productivity benefits from larger, wider trucks and highway and bridge improvements.

While others have attempted to determine whether the productivity benefit afforded eventually outweighs the aggregate tax burden, we focused our analysis on determining how the burdens and benefits will be distributed among various segments of the industry, specifically looking at three distinctions:

First, between carriers providing less than truckload service and those providing truckload service;

Second, between carriers in long-haul markets and carriers serving short-haul markets; and

Third, between owner-operators and the rest of the industry.

How a particular carrier will be affected depends upon:

(a) The cost impact of the higher taxes,

(b) The ability of the carrier to realize productivity improvements, and

(c) The carrier's ability to raise rates.

In my prepared statement I have a table showing estimates of the increased tax burdens. The increased tax burdens will be much higher for heavier trucks than for light trucks. For the heaviest trucks, the increase will be roughly $1,742 per year, or 2.56 cents per mile in 1985.

Since the additional tax burdens imposed by the act vary by weight, they will also vary across different segments of the industry.

Truckload carriers transport large shipments weighing over 10,000 pounds, and because they use heavy trucks they will experience relatively large tax increases as the result of the act. This is particularly so for those engaged in hauling heavy commodities like steel, automobiles, petroleum, and many agricultural commodities.

Less than truckload carriers, on the other hand, use both small and large trucks. Although the composition of a particular carrier's fleet will be important in determining the tax increase, in general we expect that less than truckload carriers will have less of a tax increase than the truckload carriers as a result of the act.

Looking at interstate, or long-haul, versus short-haul, we find that heavy trucks are more likely to be used in long-haul, interstate carriage than in short-haul; so, again, the long-haul carriers should be bearing a slightly higher burden relative to the short-haul carriers.

Finally, owner-operators typically use very heavy trucks intensively, often driving over 100,000 miles a year. They face relatively large tax increases, therefore. Some have estimated that their tax increases would be from 14 to 90 percent greater than the increase shown in table 1; in other words, compared to the increase for the average heavy truck in commercial use, the owner-operators would have an even higher increase because they use their trucks so much more intensively. That, however, is on a per-truck basis. On a per-mile basis the difference is really very little; in fact, some of the estimates are that owner-operators would actually have a smaller tax increase per mile than the average heavy truck operator.

In addition to increasing tax burdens, the act will also increase productivity for three reasons:

First, the use of double trailers and longer and wider vehicles,

Second, the overruling of State weight limits of less than 80,000 pounds for trucks using the interstate highway system, and

Third, reduced transit times from the highway and bridge improvements.

The value of the act's weight and size provisions depends upon the relative importance of the previous lower limits in constraining the size of a carrier's shipments. I have a chart on page 9 of my prepared statement that illustrates how these weight constraints differ between truckload carriers and less-than-truckload carriers.

Very briefly, the old capacity limitation, that is, the size of the trailer, was far more important in constraining less-than-truckload shipments than in constraining truckload shipments. Forty-four percent of the former were size constrained; whereas, only 9 percent of the latter were size constrained. Thus, the less-than-truckload carriers should benefit more than the truckload carriers by using the longer-wider trucks and double trailers permitted by the act.

And on a regional basis, less-than-truckload carriers in the Eastern portion of the Nation stand to benefit more than others in that segment of the industry, because double trailers are already permitted in many Western States.

The old 73,000 pound State weight limits were proportionally more important for truckload shipments than for less-than-truckload shipments. Thirty-two percent of truckload shipments versus only 8 percent of less-than-truckload shipments were constrained by these lower weight limits; thus, it is the truckload carriers who gain from the 80,000 pound weight limit.

In summary, the less-than-truckload carriers are the gainers from the larger trailers; the truckload carriers are the ones who gain from the higher weight limits. However, it is important to note that the increase in the weight limits really allows only a 15-

to 21-percent increase in payload, whereas the increase in the size of the trailers allows increases in payloads that amount to almost 50 percent in some situations—although they are lower in others, depending on the old State limits that were overruled.

Thus, the size of the productivity gains achievable by truckload carriers, in general, will be smaller than those achievable by less-than-truckload carriers.

And again, because the owner-operators are primarily truckload carriers, they in particular will have less ability to increase productivity by using the larger capacity vehicles that are permitted by the act.

Motor carriers also will benefit from improvements in the roads and bridges that are made possible by the expenditures financed by these new taxes. As far as we know, no one has made an estimate quantifying what that means to motor carriers. It is reasonable to believe, however, that the long-haul carriers, which includes the owner-operators, will benefit proportionately more than the short-haul carriers, because they will be using the Nation's Interstate Highway System more intensively.

Commercial trucking is very competitive, and to the extent that the productivity increases for a given carrier do not cover the tax increases, the issue is, then, how easy is it to raise rates?

The most effective competition for trucks comes from railroads, and indeed the railroads compete most effectively for truckload and long-haul freight. Thus, it is the less-than-truckload carriers who will be apt to lose less business to railroads if they are forced to raise their rates. Also, short-haul carriers are apt to lose less business to railroads. The owner-operators are operating in the market which is most sensitive to rail competition.

In conclusion, we believe that the less-than-truckload carriers will be better off than the truckload carriers, as a result of the mix of tax and productivity increases provided for in the act. The short-haul carriers should be better off than long-haul carriers, because they tend to have lighter trucks and face less intensive rail competition. And the owner-operators probably will be worse off than the rest of the industry because they are concentrated in the long-haul truckload market.

We do say, however, that you should remember that owner-operators, because they use their trucks more intensively, actually could experience less of a tax increase on a per-mile basis than a commercial truckload firm.

Finally, we want to point out that we have discussed a comparison of one segment of the industry versus another and have not attempted to quantify all of the productivity benefits introduced by the act; so, we cannot say, even with respect to the owner-operator, whether on average the tax increases are greater or less than the productivity improvements provided by the act.

That is my prepared statement, Mr. Chairman, and I will be happy to answer any questions you may have.

[Mr. Thompson's prepared statement follows:]

STATEMENT OF LAWRENCE H. THOMPSON, CHIEF ECONOMIST

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss with you the results of our work concerning the Surface Transportation Assistance Act of 1982. In response to a request by this Committee, we have analyzed the likely economic effects of this act on different segments of the commercial trucking industry. A draft of our report has been reviewed by the Department of Transportation, the Department of the Treasury, and the Interstate Commerce Commission. We are currently processing our final report and will be releasing it shortly.

OBJECTIVE, SCOPE, AND METHODOLOGY

To determine how the act will affect various segments of the commerical trucking industry, we had to consider both the positive and negative economic effects of the act. On one hand, the act significantly increases federal taxes on the tires, fuel, and equipment used to produce trucking services. On the other hand, the act also authorizes significantly higher expenditures for highway and bridge improvements and raises existing limits on the size and weight of trucks that may be used on many of the Nation's highways. Thus, the act could be beneficial to much of the industry as trucking firms reap productivity increases made possible by these provisions.

While others have attempted to determine whether the aggregate productivity benefit afforded by the act will eventually outweigh the aggregate tax burden imposed on the trucking industry, we focused our analysis on determining how the burdens and benefits of the act will be distributed among various segments of the industry. Specifically, we made three distinctions:

- Between motor carriers providing primarily less-than-truckload (LTL) service and those providing truckload (TL) service.
- Between carriers primarily serving long-haul markets (i.e., generally interstate shipments over 200 miles) and those serving short-haul markets.
- Between owner-operators and the rest of the industry.

Very little comparative information exists about the financial condition or operational characteristics of these industry segments. Although these data limitations prevented us from making precise estimates of the effects of the act, our analysis did allow us to draw qualitative conclusions about how each of these segments will be affected.

ECONOMIC EFFECTS OF THE ACT WILL VARY GREATLY

How a particular motor carrier will be affected financially by the act depends on three critical factors:

- The impact of higher federal highway taxes on that carrier's operating costs.
- The ability of that carrier to increase productivity either from the use of larger capacity trucks or from the use of improved roads and bridges.

- The carrier's ability to raise rates.

Differences in these three factors will cause the act to have significantly different economic effects on motor carriers operating in various segments of the industry.

ADDITIONAL TAX BURDENS

In accordance with congressional intent to have heavy truck owners pay a larger share of highway costs, the size of the additional tax burdens imposed by the act will vary directly with the gross vehicle weight (GVW) of trucks.[1] The estimated tax increases in table 1, for example, are calculated using Department of Transportation (DOT) projections of 1985 tax revenues, truck populations, and average annual mileage.[2] They show that owners of light trucks (those with a gross vehicle weight of less than 33,000 pounds) will experience relatively small tax increases; in some cases, taxes will not increase at all. These light trucks should account for approximately 36 percent of all commerical trucks in 1985.[3] In contrast, owners of very heavy

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[1] Gross vehicle weight refers to the weight of the empty truck plus the maximum weight to be carried.

[2] Strictly speaking, these are estimates of net tax increases since the act repeals the highway use tax for trucks with a GVW between 26,000 and 33,000 pounds and some of the more minor federal highway taxes. Furthermore these estimates are based on information concerning the average operating characteristics of truck owners in various weight categories. Estimates of the additional tax burdens for so-called "typical" truck owners could be either higher or lower depending on the operating characteristics assumed. While tax burdens on typical truck owners could be higher, they should still vary directly with vehicle weight.

[3] Table 2 of the appendix contains estimates of 1985 commercial truck populations by weight category and type of carrier. The weight distribution of the total 1985 commercial truck population is illustrated in table 3 of the appendix.

Table 1

Estimated Increases in Annual Federal Highway Taxes in 1985*

Type of Truck	Tax increase for each truck owned (dollars)	Tax increase for each mile driven (cents)	Percentage tax increase
Single unit under 26,000 lbs. GVW	13	.11	10.4
Single unit over 26,000 lbs. GVW	0	0	0
Combination unit under 50,000 lbs. GVW	279	.91	37.4
Combination unit between 50-70,000 lbs. GVW	960	2.99	80.5
Combination unit between 70-75,000 lbs. GVW	1,506	2.40	96.8
Combination unit over 75,000 lbs. GVW	1,742	2.56	102.5

*GAO calculated these estimates on the basis of DOT's estimates of average annual mileage in 1977, projected truck populations in 1985, and estimated increases in 1985 tax revenues resulting from the act. These estimates implicitly assume that all changes in the federal highway excise taxes on such items as fuel, tires, and new equipment are fully passed on to truck owners. Although 1985 is the first full year an increased heavy vehicle use tax is in effect, it continues to increase from 1986 to 1988 for owners of vehicles with a GVW over 55,000 pounds.

Source: DOT, "Information on New User Fees and Truck Size and Weight Provisions in the Surface Transportation Assistance Act of 1982," and Final Report on the Federal Highway Cost Allocation Study.

vehicles (those with a gross vehicle weight of 70,000 pounds or more) will experience tax increases averaging from $1,506 to $1,742 per truck and from 2.40 to 2.56 cents per mile in 1985. These very heavy trucks also should account for approximately 36 percent of all commerical trucks in 1985.

Since the size of the additional tax burdens imposed by the act vary by truck weight, they will also vary across different segments of the industry. Truckload carriers transport large shipments weighing over 10,000 pounds directly between shippers and receivers. Because they use heavy trucks to haul large loads, motor carriers providing mostly truckload service will generally experience relatively large tax increases as a result of the act. This is particularly so for those truckload carriers specializing in hauling high density, heavy commodities like steel, automobiles, and petroleum. Less-than-truckload carriers consolidate, transport, and distribute mostly small shipments from numerous individual shippers. In contrast to truckload carriers, less-than-truckload carriers use both light and heavy trucks. The tax burdens imposed on less-than-truckload carriers will thus vary to a greater extent, depending on the weight composition of a particular carrier's fleet. On average, however, the tax increase per truck experienced by a less-than-truckload carrier should be less than that for a truckload carrier.

Heavy trucks are far more likely to be used in interstate carriage than in local carriage. As a result, those motor carriers serving long-haul markets should experience greater tax burdens than carriers serving short-haul markets.

Owner-operators typically use very heavy trucks intensively, often driving over 100,000 miles each year. Therefore, they also face relatively large tax increases. Others have estimated the size of their additional 1985 tax burdens to be from $1,977 to as much as $3,315 per truck.[4] These estimates suggest that owner-operators of very heavy vehicles will experience tax increases per truck that are from 14-to-90 percent greater than the estimate of $1,742 appearing in table 1. On a per mile basis, however, the estimated tax increases for owner-operators range from 1.98 cents to 2.65 cents, which are not significantly different from (and some are actually lower than) the estimate of 2.56 cents per mile appearing in table 1. Thus, owner-operators may pay more per truck per year than other heavy vehicle owners because they typically drive many more miles each year than average. They could actually pay less per mile traveled, however, because the heavy vehicle use tax is a fixed cost which on a per-mile basis declines as annual mileage driven increases.

PRODUCTIVITY EFFECTS

In addition to increasing some tax burdens, the act will also increase productivity in the trucking industry for three reasons. First, the act allows motor carriers to use double trailers and longer and wider vehicles on many federally aided highways. Before the act, the sizes of some truck shipments were constrained by lower limits placed on the length and width of vehicles and by state prohibitions placed on the use of double trailers. The act increased the maximum allowable width in every state and allowed double trailers in 13 states that had previously prohibited them. Second, the act overrules lower state limits placed on the actual gross weight of trucks using the Interstate Highway System. Before the act, the sizes of some truck shipments were constrained by state weight limits which were approximately 7,000 pounds less than the federal maximum limit of 80,000 pounds. Although only three states -- Arkansas, Illinios, and Missouri --maintained lower weight limits at the time the act was passed, their lower limits had a disproportionate effect on interstate shipments because of the strategic location of these states. Third, trucking firms should also benefit from faster transit times, and reduced maintenance costs, as a result of highway and bridge improvements authorized by the act.

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[4] These estimates, which appear in table 4 of the appendix, are from the following sources: "Independent Truckers: The Effect of Recent Legislation on Earnings," Report No. 83-27E, Mar. 1, 1983, Congressional Research Service; "The Surface Transportation Assistance Act of 1982: Carrier and Shipper Impacts," Feb. 1983, Data Resources Incorporated; "New Federal Highway Taxes and Impacts on Owner-Operators," undated draft, U.S. Department of Agriculture; and information supplied by the American Trucking Associations, Incorporated.

The value of the act's size and weight provisions to motor carriers depends on the relative importance of the previously lower limits in constraining the size of their shipments. For example, motor carriers hauling mostly partial loads that were not constrained by the former size and weight limits would have comparatively little, if anything, to gain by the act raising these limits. Similarly, carriers operating in states that already had 80,000 pound weight limits would have little to gain since the act did not affect these limits. In contrast, carriers whose shipment sizes were constrained by lower state weight limits before the act should experience relatively greater productivity increases since the higher 80,000 pound weight limit imposed by the act will allow them to carry from 15-21 percent more freight per shipment. And carriers whose shipments were mostly constrained by the former size limits should experience the greatest productivity increases, since using the larger trucks and trailers, and double trailers, permitted by the act will allow them to carry as much as 49 percent more freight per shipment.

The charts on page 9 illustrate the relative importance of the act's alterations in size and weight limits for interstate truckload and less-than-truckload carriers.[5] Among truckload shipments, 32 percent were constrained by an old 73,000 pound weight limit, whereas only 9 percent were constrained by the old cubic capacity limits. The remaining 59 percent are not affected by the changes introduced by the act either because they were constrained by an existing 80,000 pound weight limit or because

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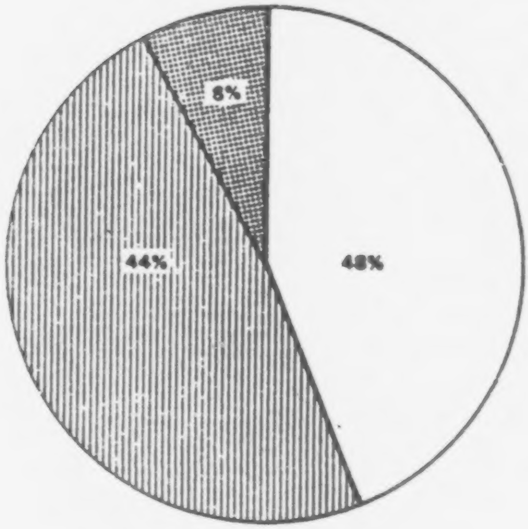
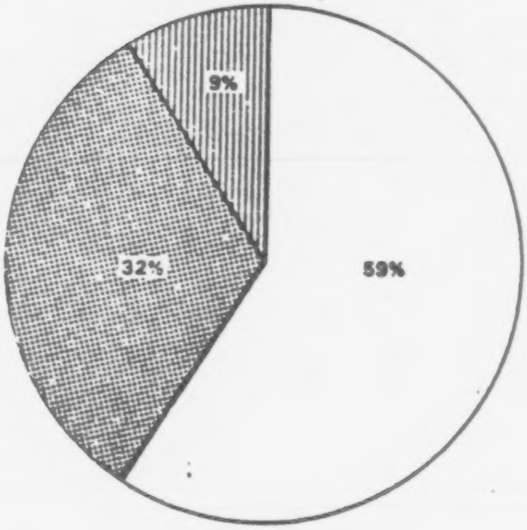
[5] The information in these charts is based on GAO calculations using DOT supplied data. The DOT data appear in two technical supplements to An Investigation of Truck Size and Weight Limits. Specifically, we used data from technical supplement volume 1, "Analysis of Truck Payloads Under Various Limits of Size, Weight, and Configuration," (Feb. 1981), and technical supplement volume 7, part 1, "Carrier, Market, and Regional Cost and Energy Tradeoffs," (Oct. 1982). These supplements contained 1985 projections of size- and weight-constrained ton-miles for truckload and less-than-truckload carriers. The weight-constrained projections assumed that six states had weight limits less than 80,000 pounds. Since, in fact, only three states had lower limits before the act, we modified these estimates by applying a separate DOT projection of weight-constrained ton-miles which assumed that only three states had lower weight limits.

Less Than Truckload Shipments
(17% of Interstate Ton-Miles)



Truckload Shipments
(83% of Interstate Ton-Miles)



Type of Constraint:

▥ Shipments Constrained by Cubic Capacity of Vehicles
▩ Shipments Constrained by 73,000 Pound Weight Limit
☐ Partial Loads and Shipments Constrained by 80,000 Pound Weight Limit

Source: GAO calculations based on DOT projections of 1985 ton-miles.

they were partial loads not constrained by either a weight or a cubic capacity limit. In contrast, 44 percent of the less-than-truckload shipments were constrained by the old cubic capacity limits, whereas only 8 percent were constrained by an old 73,000 pound weight limit. The remaining 48 percent are not affected by the act's size and weight changes.

Since the old cubic capacity limitation was far more important for less-than-truckload shipments than for truckload shipments (44 percent of the former were size-constrained, whereas only 9 percent of the latter were size-constrained), less-than-truckload carriers should benefit far more by using the longer, wider trucks and double trailers permitted by the act. On a regional basis, less-than-truckload carriers serving the eastern portion of the Nation stand to benefit more than other less-than-truckload carriers, because double trailers were already permitted in many western states before the act.

The old 73,000 pound state weight limits were proportionately more important for truckload shipments than for less-than-truckload shipments; 32 percent of the truckload shipments versus only 8 percent of the less-than-truckload were constrained by these lower weight limits. Thus, truckload carriers should benefit more than less-than-truckload carriers from the uniform 80,000 pound weight limit imposed by the act.

Weight-constrained carriers, however, will only be able to increase the size of their payloads by at most 15-to-21 percent as a result of the increase in the weight limit, whereas size constrained carriers can increase their payloads by as much as 50 percent as a result of the cubic capacity changes. Thus, the size of the productivity gains achievable by truckload carriers, in general, will be smaller than those achievable by less-than-truckload carriers. Because owner-operators are primarily truckload carriers, they in particular will have less ability to increase productivity by using the larger capacity vehicles permitted by the act.

Motor carriers should also benefit from improvements in roads and bridges made possible by the act. No specific estimates of the size of these benefits have, to our knowledge, been made as yet. However, those motor carriers making greater use of federally aided roads in general, and the Interstate Highway System in particular, should benefit the most. Thus, we believe that motor carriers primarily serving long-haul markets, which includes most owner-operators, should benefit more than those serving short-haul markets. Data limitations, however, prevented us from concluding how these benefits are likely to be distributed between truckload and less-than-truckload carriers.

SOME CARRIERS WILL BE BETTER ABLE TO RAISE RATES

Because commercial trucking is a highly competitive industry which has been substantially affected by both the recent recession and regulatory reform, profit margins for some carriers have been reduced. If the act causes significant cost increases for marginally profitable trucking firms, it could force some into bankruptcy unless they are able to charge more for their services.

As trucking rates rise, however, motor carriers could lose business to railroads. Railroads compete most effectively for freight hauled by truckload, long-haul motor carriers. Thus, less-than-truckload carriers will be apt to lose less business to railroads if they raise their rates than will truckload carriers. Short-haul carriers will lose less business than long-haul carriers. Since owner-operators primarily serve long-haul, truckload markets, they are in the industry segments most likely to lose business to railroads as a result of rate increases.

Motor carriers operating in markets which have substantial amounts of excess capacity will also find it difficult to raise their rates. If the current economic recovery continues, however, the demand for trucking services in general will increase, causing the amount of excess capacity to fall. Consequently, the ability of commercial motor carriers as a group to pass tax-related cost increases on to shippers in the form of higher prices should improve. In this respect, the act gives a special advantage to small owner-operators because it defers increases in the heavy vehicle use tax by 1 year for persons who own and operate no more than five taxable trucks. Assuming the current economic recovery continues until July 1, 1985 (the date of the first use tax increase for small owner-operators) small owner-operators should be in a better position to either absorb the tax increase themselves or pass it along to their customers in the form of higher prices.

CONCLUSIONS

Each of the three factors that we have discussed - additional tax burdens, productivity benefits, and the ability to raise rates - vary significantly across different segments of the commercial trucking industry. Thus, we believe that some motor carriers will be better off than others as a result of this act. Specifically, the three principal results of our analysis are:

- Less-than-truckload carriers will be much better off than truckload carriers.

  On average, less-than-truckload carriers will pay less in increased taxes than truckload carriers and will have the opportunity to realize greater productivity benefits through increases in the allowable cubic capacity of trucks. Furthermore, those less-than-truckload carriers experiencing cost increases as a result of the act should more easily shift them on to shippers since they face less competition from railroads.

- Short-haul carriers should be better off than long-haul carriers.

  Short-haul carriers should experience smaller additional tax burdens than long-haul carriers. They also face relatively little rail competition, which will allow them to more easily pass tax-related cost increases on to shippers in the form of higher rates. Insufficient data exists to conclude how the benefits of the act's size and weight provisions will be distributed between short- and long-haul carriers, but long-haul carriers should receive greater benefits from highway and bridge improvements made possible by the act. Based on the information available, we believe that, on balance, short-haul carriers should be better off than long-haul carriers.

- Owner-operators will be worse off than the rest of the industry.

Owner-operators appear to be concentrated in the long-haul and truckload segments of the commercial trucking industry. As with other truckload carriers, most owner-operators will have less opportunity to realize productivity increases from the act's size and weight provisions. Since they are primarily long-haul carriers, however, owner-operators should receive relatively greater benefits from highway and bridge improvements made possible by the act. Compared with the rest of the industry, owner-operators will also experience larger tax increases because they use proportionately more heavy trucks. Typically, owner-operators also drive many more miles each year than the average heavy truck owner. As a result, their tax increases per truck will be relatively higher than the tax increases per truck experienced by other heavy truck owners, although their additional tax burden per mile will not necessarily be any larger. As with other long-haul carriers, owner-operators face greater competition from railroads than do short-haul

> carriers. Thus, they will have less ability to recoup any tax-related cost increases through higher rates without losing business to rail. On balance, we believe that owner-operators will be worse off than the rest of the industry as a result of the act. Since we have not attempted to quantify all of the productivity benefits introduced by the act, we cannot say, however, whether the tax increase experienced by the average owner-operator will be greater than or less than the increase in productivity.

Mr. Chairman, this concludes my prepared statement. I will be pleased to respond to any questions you or other Committee Members may have.

Table 2

Estimated 1985 Commercial Truck Populations By Weight Category and Type of Carrier

Gross vehicle weight (thousand pounds)	Regulated carriers	Local carriers	Exempt carriers	Independent owner-operators[1]	Total commercial
Under 26	85,385	128,776	11,722	20,[illegible]54	246,237
26-32.99	27,139	38,108	6,556	18,179	89,982
33-49.99	35,806	49,446	8,546	23,760	117,558
50-69.99	86,277	43,998	10,690	35,651	176,616
70-75.00	78,960	16,153	13,087	44,549	152,749
Over 75	72,157	23,843	17,869	44,627	158,496
Total	385,724	300,324	68,470	187,120	941,638

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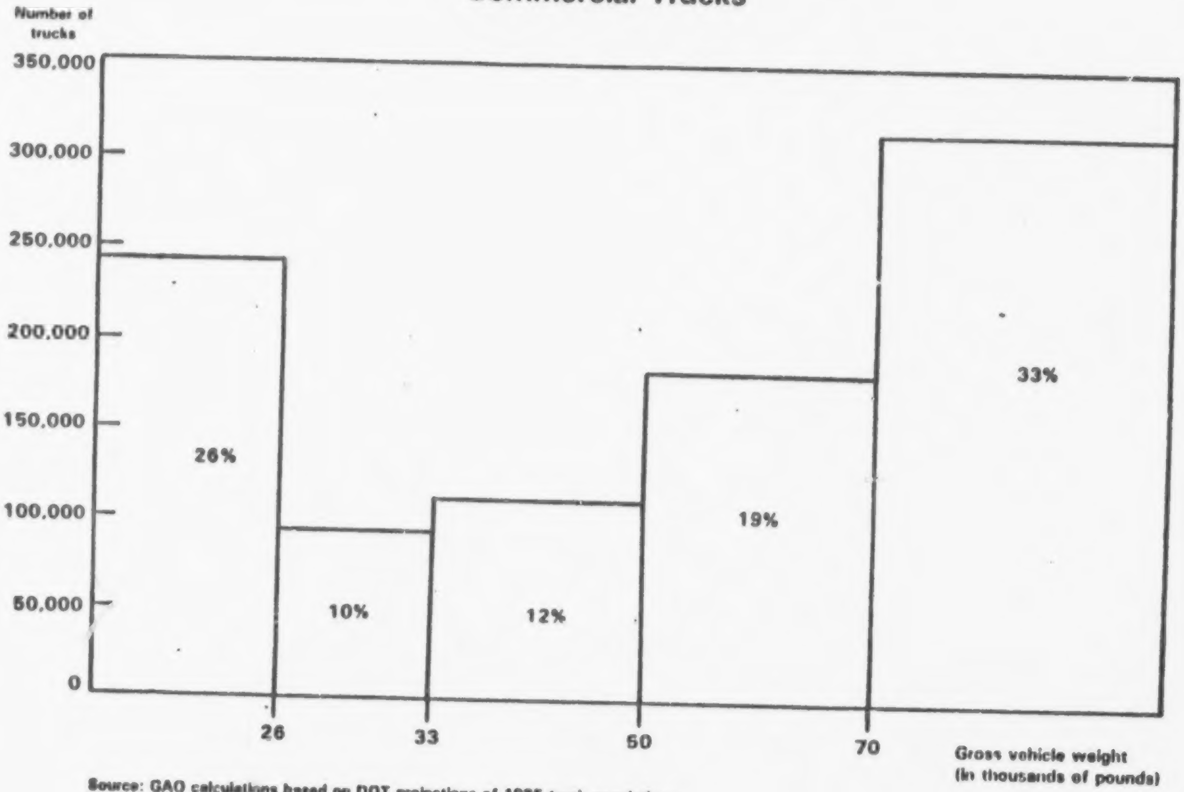
[1] These figures are not necessarily inclusive of all owner-operators since some may be categorized as exempt carriers.

Source: GAO calculations are based on 1985 projections of truck populations contained in the Final Report on the Federal Highway Cost Allocation Study (U.S. DOT, May 1982). The two primary data sources for these projections were the 1977 Truck Inventory and Use Survey conducted by the Bureau of the Census and the National Vehicle Population Profile for Medium-Heavy Trucks compiled by the R. L. Polk Company. The latter data source was based on state truck registrations, and was used by DOT to adjust for an apparent undersampling of heavy trucks in the Census study. DOT then used growth factors to derive their projections of 1985 truck populations. GAO disaggregated these DOT projections into six weight categories on the basis of information contained in "Transportation System Descriptors Used in Forecasting Federal Highway Revenues," a study undertaken by System Design Concepts for DOT.

Weight Distribution of Commercial Trucks



Source: GAO calculations based on DOT projections of 1985 truck populations.

Table 4

Estimated Tax Increases for Typical Owner-Operators of Very Heavy Trucks*

Source		Year 1983	 1985	 1988	 1990
		(dollars per truck)			
American Trucking Associations, Incorporated		702	1,977	2,816	-
Data Resources Incorporated	(Used truck)	-	2,250	2,500	-
	(New truck)	-	2,650	2,900	-
Congressional Research Service		1,100	-	-	3,300
Department of Agriculture		-	3,315	-	-
		(cents per mile)			
American Trucking Associations, Incorporated		.70	1.98	2.82	-
Data Resources Incorporated	(Used truck)	-	2.25	2.50	
	(New truck)	-	2.65	2.90	-
Congressional Research Service		1.10	-	-	3.30
Department of Agriculture		-	2.57	-	-

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*All the estimates are for an 80,000-pound GVW vehicle, except for the ATA estimate which assumes a 78,000-pound GVW tractor-semitrailer. All except the Department of Agriculture's calculations, which assume the vehicle is driven an average of 129,000 miles each year, are based on the assumption that the vehicle is driven 100,000 miles each year. All increases are calculated from 1982 levels.

The **Chairman**. I think there may be questions; in fact, I have a number of questions. But I think since you are here, and we can work with you on a daily basis, and there are others who I understand have some flight problems getting to South Dakota and other places, we will defer questions. You will be working with our staff as we get into trying to figure out what is the best way to go, obviously.

Senator Long, do you have any questions?

Senator **Long**. No questions, Mr. Chairman.

The **Chairman**. Senator Durenberger?

Senator **Durenberger**. No questions.

Mr. **Thompson**. We will be happy to answer any questions later, for the record.

The **Chairman**. Fine.

I know there is an owner-operator question we need to address, and I think your study indicated that, too.

Thank you very much.

Mr. **Thompson**. Thank you.

The **Chairman**. Now, if there is no objection, we do have one panel, the final panel, which includes two people who have problems getting home tonight. Our next panel consists of people who live here, and if there is no objection, what I would do is ask that Mr. Odell, Mr. Parker, and Mr. Ashworth come up now. And I think Senator Warner would like to introduce Mr. Ashworth. Mr. Parker has a flight to catch here before long.

STATEMENT OF HON. JOHN WARNER, U.S. SENATOR FROM THE STATE OF VIRGINIA

Senator **Warner**. Mr. Chairman, I thank you and the members of the committee for, first, taking the initiative to have this hearing, and, second, to accord the privileges to your colleagues.

I will ask that my statement and one by Senator Trible be incorporated in the record.

At this time, so that the State of Virginia can be heard on this matter, I would like to introduce to the committee a former member of the Virginia State Legislature, Ray Ashworth, now the executive vice president of the Virginia Highway Users Association, and he is accompanied by Mr. John Fein, representing the Overnite Transportation Co.

Mr. Chairman, we two Senators will submit our statements in their entirety, and the witnesses are prepared to give a brief summary of their testimonies.

I have a scheduling conflict; I need to get back to my meeting with the Deputy Secretary of State on the Lebanon issue.

The **Chairman**. Thank you, Senator Warner. We appreciate your introduction, and your statement along with the statement of Senator Trible will be made a part of the record.

[Statements of Senators Warner and Trible follow:]

STATEMENT OF SENATOR JOHN W. WARNER
Before the Senate Finance Committee
On the Surface Transportation Act of 1982
February 9, 1984

Mr. Chairman,

First, I would like to express my appreciation to you and to members of the Committee for holding these hearings.

I was among those voting in favor of the Surface Transportation Assistance Act of 1982. I supported that legislation because there was significant physical deterioration on almost every part of our interstate highway system. Many of these highways were reaching the end of their designed life cycles. Ten percent of the interstate system was in need of immediate resurfacing, and 65 percent was estimated to be in need of major repair work by 1995.

Furthermore, 50 percent of our primary road system and 40 percent of our bridges will reach the end of their design lives during the 1980s. Over 30 percent of our bridges are already classified as structurally deficient. Our interstate highway system, once a source of national price, was becoming a national disgrace.

It was clear at that time, Mr. Chairman, that it was up to the Congress to take decisive action and the result of our efforts was the Surface Transportation Assistance Act of 1982.

IN A FLOOR STATEMENT ANNOUNCING MY INTENTION TO SUPPORT THIS LEGISLATION, I STATED THAT I WAS NOT CONVINCED THAT THE MANNER IN WHICH WE HAD STRUCTURED THE HEAVY TRUCK TAX AND FEE INCREASES WERE ENTIRELY FAIR TO OUR NATION'S TRUCKING INDUSTRY, AN INDUSTRY OF SIGNIFICANT IMPORTANCE TO THE ECONOMY OF OUR NATION. THE EFFICIENT, COST-EFFECTIVE TRANSPORTATION OF GOODS PROVIDED BY THE TRUCKING INDUSTRY IS AN ELEMENT ON WHICH MOST OF OUR NATION'S COMMERCE IS BASED. I STATED AT THE TIME OF PASSAGE OF THE STAA THAT IT WAS MY HOPE THAT HEARINGS COULD BE HELD IN THE 98TH CONGRESS TO DETERMINE THE IMPACT OF THESE TAX INCREASES ON THE TRUCKING INDUSTRY AND SMALL BUSINESS.

I AM GRATEFUL THAT THESE HEARINGS ARE NOW BEING HELD AND I AM HOPEFUL THAT A CONSENSUS NOW CAN BE REACHED ON HOW TO BEST STRUCTURE A METHOD TO FAIRLY AND EFFICIENTLY ALLOCATE THE BURDEN OF MAINTAINING OUR NATION'S HIGHWAYS.

MR. CHAIRMAN, AN EXAMINATION OF HISTORY SHOWS US THAT INPUT FROM VIRGINIANS HAS BEEN INSTRUMENTAL IN THE FORMATION OF OUR NATION. I FELT, THEREFORE, THAT IT WAS MY DUTY TO SUMMON SOME EXPERTISE FROM RICHMOND TO ASSIST US IN THIS PARTICULAR ENDEAVOR. FORMER VIRGINIA DELEGATE RAY ASHWORTH IS NOW THE DISTINGUISHED EXECUTIVE VICE PRESIDENT OF THE VIRGINIA HIGHWAY USERS ~~FEDERATION~~ ASSOCIATION AND MR. JOHN FAIN IS REPRESENTING OVERNIGHT ~~TRANSFER~~ TRANSPORTATION COMPANY. THESE GENTLEMEN HAVE COME TO GIVE US THEIR COLLEAGUES' PERSPECTIVE ON THIS ISSUE. I THINK THAT THE COMMITTEE WILL FIND THEIR ARGUMENTS PERSUASIVE AND I WILL NOW YIELD TO THEM.

THE HONORABLE PAUL S. TRIBLE, JR.
COMMITTEE ON FINANCE
FEBRUARY 9, 1984

ALTERNATIVES TO THE HEAVY VEHICLE USE TAX

Mr. Chairman, I appreciate this opportunity to testify today and I commend the Committee for moving quickly to ensure tax equity for the trucking industry.

Under the Surface Transportation Assistance Act of 1982, an individual trucker will have his use taxes increased by 800%, from $240 per year now to $1900 per year by 1988. This tax burden will be the same regardless of whether the trucker travels 200,000 miles or 500,000 per year. A system in which road use determines the amount of taxation would be far more equitable.

For this reason I am an enthusiastic cosponsor of legislation introduced by one of your Committee colleagues, the Honorable Senator from Wyoming, Mr. Wallop.

S. 1475, the Highway Use Tax Equalization Act of 1983, replaces the current tax structure with a pay for use system, which increases the tax on diesel fuel so that costs are proportionate to road use. This method raises repair and maintenance revenues in a fairer way than would the heavy vehicle use tax.

S. 1475 would tax diesel fuel an additional 3 cents the first year, and two more cents the following year. So, we would have a diesel tax of 12 cents a gallon which would ultimately increase to 14 cents a gallon. The existing nine cents a gallon tax on gasoline and diesel fuel used in automobiles, pickups and vans under 10,000 pounds would not be affected by this proposal.

This approach ensures that those who use and damage the roads the most bear a commensurate share of the costs. I commend Mr. Wallop for his work on this bill, and I hope it will be expeditiously adopted by the Congress.

I understand, further, that the Chairman is currently working with industry groups on a compromise proposal which would combine the heavy vehicle use tax and a diesel differential. I want to commend him for his hard work in this regard.

Mr. Chairman, my main purpose in coming before the Committee today is to talk about another type of inequity I believe should be addressed in any revisions to the STAA.

As the law is currently written, farmers who drive over 5,000 miles each year to haul their produce to market will have to pay the 800% increase.

Many farmers are currently exempt because they drive less than 5,000 miles annually. However, in certain parts of the country--California, the Midwest and the coastal parts of the East--farmers frequently exceed 5,000 miles. The number of farmers exceeding the limit has been increased by rail abandonments and grain elevator bankruptcies.

To redress this situation I introduced legislation, S. 1596, which would increase the existing 5,000 mile exemption to 10,000 annually for farmers hauling their crops to market.

Farmers today are staggering under the burden of years of inflation, high interest rates and poor growing conditions. Farm debt is at an all-time high and bankruptcies are increasing. My bill will make the lot of the farmer who trucks his own produce to market far less burdensome.

The Department of Transportation estimates that my bill will affect 35,000 trucks nationwide and will cost about $11 million annually. This represents about 1% of the total annual estimated heavy vehicle use tax revenue; ~~which will~~ originally estimated to be $953 million in FY85; $1.027 billion in FY86 adn $1.172 billion in FY87. My bill has been strongly endorsed by the American Farm Bureau Federation, and well as many state agricultural groups.

I urge the Committee to consider the farmer when it moves to restructure the heavy vehicle use tax. Senator Wallop's bill could be amended to ensure fair treatment of farmers by simply including farmers in the existing nine cents per gallon tax category, up to 10,000 miles per year of road use. Travel beyond 10,000 miles would be subject to the increased tax rate.

I would point out that any extra costs we place on the individual farmer are very difficult to pass on. He has to absorb them himself, and having to pay as much as $1900 simply to get his crops to market is punitive. The amount of money in question--$11 million--even less under the diesel differential proposal--is a very small sum of money which means a great deal to the farmers of this nation.

The **Chairman**. Now, I guess we will hear from Mr. Parker first. I guess you would like to get home, right?

Mr. **Parker**. Yes, Mr. Chairman.

STATEMENT OF JEFF PARKER, PRESIDENT, SOUTH DAKOTA TRUCKERS ASSOCIATION, SIOUX FALLS, SD

Mr. **Parker**. Mr. Chairman, Hon. Senator Robert Dole, and committee members:

I am Jeff Parker. I am the president of the South Dakota Trucking Association and president of Parker Transfer and Storage. I am here today to support the diesel-differential tax as a replacement to the heavy user fees imposed by the Surface Transportation Assistance Act of 1982.

Since 1920, Parker Transfer has grown with the pay-as-you-go philosophy of the highway system. We have always been willing to pay our fair share for the highway construction and maintenance, because we consider these physical assets as much a part of our capital formation as our trucks and trailers.

Parker Transfer is typical of the 500 members that represent the South Dakota Trucking Association. Parker Transfer has five tractor-trailers presently covered by the Federal highway use tax, and they would be covered by the Surface Transportation Assistance Act. Please refer to the comparative fuel and highway use tax computations in my prepared statement.

This chart indicates that the lightest unit that we would have licensed, at 44,000 pounds, pays 76 percent more than the heaviest unit ~~we~~ have licensed at 50,000 pounds. In comparison, a heavy truck with a gross weight of 80,000 pounds, traveling 100,000 miles per year, the fuel and heavy use taxes that they will be paying as a result of the Surface Transportation Assistance Act will be less than the lightest two units of my fleet.

If Congress and the Department of Transportation are interested in shifting the burden to the heavier vehicles from the lighter vehicles, it appears that we would be better off without your assistance.

What this leads us to believe is that the only feasible measure is that of the energy that passes through the unit. The fuel tax is easy to collect and difficult to avoid. The only adverse effect of the fuel tax measure is that it would remove the raft of Department of Transportation auditors that are required to collect those user fees, and thereby increase unemployment.

We have yet to see from the Department of the Treasury how they intend to administer the Surface Transportation Act heavy-user fees, particularly with regard to owner-operators; yet, we are only 145 days away from the implementation.

It seems incomprehensible to us that Congress will not listen to our desire to pay the amount necessary to keep our highway system a pay-as-you-go program and allow us to pay that tax in as easy a measure as the fuel tax. It is time to set aside the philosophical ideals of equity to the user of heavy user fees, and look at the realities of the problem.

We urge you to remove the regressive heavy user fees and implement a diesel fuel differential tax as suggested today.

[Mr. Parker's prepared statement follows:]

TESTIMONY BEFORE SENATE FINANCE COMMITTEE
S138 Diesel Differential Legislation
February 9, 1984

Chairman, Honorable Senator Robert Dole, and Committee Members:

I am Jeff Parker, President of Parker Transfer and Storage, Inc., Sioux Falls, South Dakota, and President of the South Dakota Trucking Association. I am here today to support the diesel differential tax to replace the heavy user fees imposed by the Surface Transportation Assistance Act of 1982 (STAA).

My great-grandfather started in the drayage business in South Dakota in the early 1900's with horse teams and wagons. My grandfather began what is Parker Transfer in the early 1920's, so our small family business has evolved from no regulation, through regulation, to deregulation. We have grown with the pay-as-you-go philosophy of the highway system. We have always been willing to pay our fair share for highway construction and maintenance as we count these physical assets as much a part of our capital formation as our trucks and trailers. Parker Transfer is very typical of the 500 member firms which make up the South Dakota Trucking Association.

Today, Parker Transfer has four trucks and five tractor-trailer combinations licensed for interstate transportation in a 17 state area. The five tractor-trailers are presently covered by the Federal Highway Use Tax and would be taxed under the heavy user taxes of the STAA. Please refer to the "Comparative Fuel and Highway Use Tax Computation" to see how these vehicles are taxed now and how they would be taxed by STAA. This chart indicates that our lightest unit, Number 15, pays the highest tax per mile at $.0185 per mile traveled compared to $.0105 per mile for our heaviest truck. However, under the tax structure imposed by STAA which is purported to shift the burden to the heavier trucks, my disparity is even greater with our lightest truck paying $.0759 per mile and the heaviest truck paying $.0275 per mile. In comparison to a heavy truck with a gross weight of 80,000 pounds traveling an average of 100,000 miles per year, the fuel and heavy use taxes would total $.0370 per mile at the final stage of STAA. This is less than I will pay for my lightest two units in Parker Transfer's fleet and only 14% more than my average fleet cost. While my average cost per mile moves from $.0124 to $.0345 per mile, a 162% increase, the heavy vehicle grossing 80,000 pounds will increase 81% from $.0240 to $.0370 per mile by STAA.

If the interest of Congress and the Department of Transportation was to shift the burden from the lighter to heavier vehicles, it appears we would be better off without your assistance. The only accurate measure of use is weight over distance traveled. However, the ton-mile tax that Parker Transfer pays in Wyoming is at best a nightmare of paperwork and inaccuracy. Of the trip reports I review, half are incorrectly computed. The Wyoming Department of Revenue admits a recent audit netted $10,000.00 in additional revenue to their state at a cost of $14,000.00 in audit expense.

What this all leads to is that the only feasible measure of use is the energy that passes through the unit. The greater the load on the vehicle, the greater the energy required to move the load. The fuel tax is obviously easy to collect and difficult to avoid. The only adverse effect of the fuel tax as a measure of highway use is that it would remove a raft of the Department of Treasury auditors, thereby, increasing unemployment. We have yet to see any rules or regulations from the Department of Treasury as to how they intend to administer the STAA Heavy User Fees, yet the deadline is less than 145 days away. Perhaps they too are waiting for Congress to clean up the mess created by the STAA.

The other 499 members of the South Dakota Trucking Association and I urge Congress and the Department of Transportation to reassess their philosophical ideals of equity to users in the heavy user fees and look at the realities of the problem. It seems incomprehensible to us that Congress will not listen to our desire to pay the amount necessary to keep the highway system pay-as-you-go program and to pay the amount through as easy a mechanism for the taxpayer and the government as the fuel tax. We strongly urge you to remove the regressive heavy user fees imposed by STAA and replace them with the fuel tax or diesel differential tax as suggested here today.

ALWAYS ON THE MOVE
PARKER TRANSFER & STORAGE
Agent northAmerican Van Lines, Inc.

JEFFREY G. PARKER
1700 F Avenue, Sioux Falls, South Dakota
Telephone: 336-3118
Res. Phone: 336-9716

COMPARATIVE FUEL AND HIGHWAY USE TAX COMPUTATION

Parker Transfer and Storage, Inc.
1700 F Avenue
Sioux Falls, South Dakota 57104

	1982 Tax Payments					Projected 1985 Tax Payments				
Unit Number:	15	16	18	19	17	15	16	18	19	17
Licensed G.V.W.:	44,000	46,000	46,000	46,000	50,000	44,000	46,000	46,000	46,000	50,000
Miles Traveled:	10,473	20,449	30,069	13,118	41,612	6,070	18,472	32,363	28,506	39,658
Gallons Consumed:	2,599	4,484	4,333	3,065	7,162	1,506	4,051	4,663	6,660	6,826
Miles Per Gallon:	4.03	4.56	6.94	4.28	5.81	4.03	4.56	6.94	4.28	5.81
Fuel Tax:	103.96	179.36	173.32	122.60	286.48	135.54	364.59	419.67	599.40	614.34
Highway Use Tax:	90.00	90.00	120.00	120.00	150.00	325.00	375.00	375.00	375.00	475.00
Total:	193.96	269.36	293.32	242.60	436.48	460.54	739.59	794.67	974.40	1089.34
Cost Per Mile:	.0185	.0132	.0098	.0185	.0105	.0759	.0400	.0246	.0342	.0275

Senator LONG. May I ask Mr. Parker a question, Mr. Chairman?

The CHAIRMAN. Surely.

Senator LONG. Now, we had Mr. Larson testifying for the Pennsylvania Department of Transportation and for the American Association of State Highway Transportation Officials. He testified in favor of a tax where you would simply multiply the number of miles by the weight of the vehicle, a weight-distance tax. Do you understand how that would work?

Mr. PARKER. Yes, sir, I do.

Senator LONG. Well, why couldn't that be implemented on a pay-as-you-go basis and achieve the same result?

Mr. PARKER. As you will see in my prepared remarks, we do pay a ton-mile tax, as you are referring to, in Wyoming. I recently went through those ton-mile receipts—again, understand that the State of Wyoming figures those for us. Better than 50 percent of them were incorrect. In a recent audit, Wyoming admitted that they collected another $10,000 in additional ton-mile tax, but it cost them $14,000 in auditors to collect the tax. It is simply uneconomical to administer that tax.

Senator LONG. Well, the man just testified that it had been working in Oregon for 30 years, and it worked very well. How do you explain the inconsistency?

Mr. PARKER. I can assure you that I could give you receipts from Oregon where they again have figured the tax for me, and they have done it incorrectly; but I am not going to complain if it is in my favor.

Senator LONG. Are you talking about it being incorrect in small amounts, or are you talking about it being incorrect in large amounts?

Mr. PARKER. Whatever the amount of money, if you have to go out and audit it to verify it, and you end up with less money because of the audit fees than you do in additional tax, I call that poor tax structure.

The CHAIRMAN. We may have additional questions as we go along, but I think we can excuse you now so that you can head for South Dakota.

Mr. PARKER. Mr. Chairman, I really appreciate your allowing me to catch that flight. Further, I would ask that you would make part of the record my written comments that I submitted earlier today.

The CHAIRMAN. They will be made a part of the record, and we appreciate your coming that distance to be with us.

Mr. PARKER. Thank you very much, sir.

The CHAIRMAN. Now it is a pleasure to hear from a Kansan, Mr. Odell, the president of the Kansas Motor Carriers, and then Mr. Ashworth.

STATEMENT OF CONRAD ODELL, PRESIDENT, KANSAS MOTOR CARRIERS ASSOCIATION, TOPEKA, KS

Mr. ODELL. It is a pleasure to be here, Mr. Chairman.

My name is Conrad Odell, and I am president and owner of Branson Truck Line, Lyons, KS. I have been engaged in the transportation of livestock for 19 years I also am the president of the Kansas Motor Carriers Association, a State association of truck and bus operators whose 1,550 member firms primarily are small business people.

My full statement has been presented to the committee. I hope each of you will have time to review it.

I am a small trucker and a small businessman. I know what it means to pay the bills. We strongly believe that some workable solution must be found to prevent the excessive fixed special user fees adopted in STAA legislation to be reduced, and to permit the owners and operators of motor truck vehicles to utilize the fuel tax concept for a pay-as-you-go revenue source to fund our highway program.

I must say to you that I look on these sharply increased special use taxes almost as a franchise fee. For my company that franchise fee is going to amount to $35,200. As of today, I don't know where that $35,200 is coming from.

The **Chairman**. Are you talking about the present level, or the suggested level?

Mr. **Odell**. The present STAA level.

The **Chairman**. Right. We are talking about a sharp reduction in that.

Mr. **Odell**. I had the opportunity to visit with Senator Dole about the highway user tax situation when he visited our hometown early this past year. I said then and I say as strongly as I can today, we need a pay-as-you-go fuel tax concept to fund our highway program.

I have prepared some comparisons for the committee on my actual company operation. If the special fixed use taxes at the Federal level are not reduced, my company in 1984 would pay an increase from $210 to $1,600 per unit, or a tax increase of 762 percent. If the provisions of S. 1475 were enacted, and a 5-cent diesel differential were adopted, my Federal fuel tax would be $66,051. Compare this with our 1983 Federal tax payment, which was $40,973.

My company would pay an increase of $25,078 in Federal taxes in this category in 1984. This means an increase of almost $1,140 additional Federal taxes per unit. It also means that I would be paying more than a 511-percent increase through the 5-cent diesel differential over what my special use tax responsibility was in 1983. I don't know any other business in this country that has been asked to pay that kind of a tax increase.

We all realize that we have a highway illness. We want to do our part to take care of this illness. This highway illness did not start in just the last 3 or 4 years; the highways have been here for years. All of a sudden, we have to cure this ill. Our industry wants to do its part, but we cannot swallow the whole pill. A straight 5-cent diesel differential would be about three-fourths of the pill; surely someone else can take the other fourth.

I hope members of the committee have some idea of the destructive increases that the present STAA legislation holds for me in my business and for countless others in this same situation.

I have not presented to you today any guess estimates. I have tried very hard to show you exactly how these taxes impact on my own business. I speak for all of the members of our association when I tell you that we are willing to pay our way; but there is a limit. The 5-cent fuel tax differential on diesel fuel as proposed in S. 1475 offers an efficient pay-as-you-go answer to collecting highway revenue.

I do not pretend to be a fiscal expert on highway taxes. I do know about my company and what it takes to pay the bills.

I would be glad to attempt to answer any questions.

Thank you again for permitting me to bring my statement to this committee.

[Mr. Odell's prepared statement follows:]

STATEMENT
OF
CONRAD ODELL

President, Branson Truck Line, Inc.
1309 Highway 56 East - Lyons, Kansas

President, Kansas Motor Carriers Association
2900 S. Topeka Avenue, Topeka, Kansas

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

My name is Conrad Odell and I am president and owner of Branson Truck Line of Lyons, Kansas. I have been engaged in the transportation of livestock for 19 years. I also am the president of the Kansas Motor Carriers Association, a state association of truck and bus operators whose 1,550 member-firms primarily are small business people. I appear before you today to talk about the issue of highway user taxes on behalf of the members of our Association and on behalf of my own company.

I am a small trucker and a small businessman. I know what it means to pay the bills. I want to thank Senator Dole and this committee for the opportunity to explain to you today how the special user fees enacted in the Surface Transportation Assistance Act of 1982 affect me and my company.

The profile of my company includes the operation of 22 tractor and semi-trailer livestock units -- all of which are registered for 80,000 lbs. gross weight. Our company provides employment for 29 hard-working people. Our annual payroll last year was $580,620 on which we paid $1,934 in unemployment compensation taxes and $37,943 in FICA taxes. Our units operated a total of 2,074,440 miles in 1983 and consumed some 471,796 gallons of diesel fuel.

Our state registration fees allocated to Kansas and to the other jurisdictions through which we operate, totaled $28,381 last year. Kansas registration fees for an 80,000-lb. vehicle are assessed at $1,325 for the power unit and $25 for the semi-trailer. I also paid property taxes to Kansas on those same units in 1983 at a cost of $15,221. These are some of the "fixed" costs which we must accommodate at the state level before we ever turn a wheel.

Kansas has had a diesel differential in its truck tax system since January 1, 1956. The Kansas diesel differential currently is 2 cents per gallon. Kansas, as did many states, found it necessary to increase its user fees effective July 1, 1983. Our state fuel taxes were increased two cents per gallon across-the-board July 1, and an additional cent per gallon on January 1, 1984. Our fuel tax rate in our home state now is 11 cents per gallon on gasoline and 13 cents per gallon on diesel fuel.

My company and our Association supported the five cent increase which the Congress adopted on fuel taxes effective April 1, 1983. We fully understand that our highway system has to be properly constructed and maintained. We believe that those who operate motor truck vehicles should pay a proper share of the cost of those highways. We have, as an industry, committed ourselves to assure that the highway program enacted in the Surface Transportation Assistance Act is financed.

We strongly believe, however, that some workable solution must be found to permit the excessive, "fixed" special user fees adopted in the STAA legislation to be reduced and to permit the owners and operators of motor truck vehicles to utilize the fuel tax concept for a pay-as-you-go revenue source to fund our highway programs!

Let me illustrate my point.

In the 1973-74 livestock market depression in this country, no one was shipping cattle. I've worked in this industry a lot of years and believe me, I know a lot of shippers. I called those shippers not just in Kansas but in other states to try to find a load of cattle to move. There was not a load to be found. Our vehicles simply sat on our lot. We didn't move. We almost lost the company. We certainly didn't use the roads.

All that I have to sell is the service of my company. Members of the Committee, I don't have $1 of business "waiting" on my books even next month, let alone any assurance of what my business will be a year from July 1, 1984.

We hope that cattle will continue to move. We believe they will, but I'm taking about all the risk I can absorb unless my trucks are actually operating and producing revenue for my business.

That situation is true not only for Branson Truck Line but for every truck operator -- large or small -- who is trying to provide transportation service for the people in this country!

I must say to you that I look on these sharply-increased special use taxes almost as a "franchise fee." If this Committee and the Congress cannot give us some relief, I'm going to be expected to pay an additional $1,600 per vehicle July 1, 1984, just to comply with the opportunity to operate my vehicles lawfully on the roads and highways.

For my company, that "franchise fee" is going to amount to $35,200. As of today, I don't know from where that $35,200 is coming.

The real world is that I have to meet a payroll, buy equipment, pay some very healthy taxes -- and hopefully have a little something left for Conrad Odell and the risk I take on my investment. The $35,200 use tax isn't the only bill I have coming due July 1, 1984. We are all aware of the cost of borrowing money these days -- even if it is available.

I like to believe that my company is important in terms of the service we provide the livestock and beef packing industry. In our Kansas community of Lyons, Kansas, with its population of 4,500 good citizens, those 29 Branson Truck Line jobs are important to 29 family households, to the economy of our town, and to the economy of our state. The trucking industry currently provides more than 87,000 jobs in Kansas.

I had the opportunity to visit with Senator Dole about the highway user tax situation when he visited our hometown earlier this past year. I said then and I say as strongly as I can again today, we need a pay-as-you-go fuel tax concept to fund our highway program.

My company has paid the special highway use tax since it was implemented. I need not remind the Committee that there has not been universal compliance with this user tax even with the fee at $210 or $240 whichever was applicable. I fully believe that further erosion of lawful compliance with these fees will occur when the fees jump to the $1,600 level in 1984 and the eventual $1,900 fee which is to follow. A diesel fuel tax differential will be collected for all miles operated for affected vehicles. There would be little incentive or opportunity to escape such a tax.

On July 1, 1983, my special use tax bill was $4,620. As I indicated, July 1, 1984, that tax obligation will jump to $35,200 and then increase another $100 per truck for the next three years or another $2,200 a year for a total of $41,800 regardless of how many miles my vehicles operate.

I have prepared some comparisons for the Committee on my actual company operations for 1982 and 1983 and, based on these actual operations, what my user taxes compute to be for 1984.

In 1982

Total Miles: 2,116,872

Fuel Consumed: 485,147 gallons

Federal Use Tax: $4,620

Fuel Taxes:
$19,406 - 4¢ federal
48,515 - 10¢ state
$67,921

In 1983

Total Miles: 2,074,440

Fuel Consumed: 471,796 gallons

Federal Use Tax: $4,620

Fuel Taxes:
$36,353 - federal [Jan.-Mar. 4¢ Apr.-Dec. 9¢]
52,008 - state
$88,361

The recession really depressed our company operations for the first six months of 1983 causing our total operating miles to drop. One readily can see, however, that on fuel taxes alone my company paid $16,947 additional federal fuel tax dollars in 1983 over 1982 -- operating fewer miles, consuming less fuel -- with the 9¢ per gallon rate in effect for only 9 months of that year.

Now let me move to my computation illustrating the impact of some tax options for 1984 based on the same miles my company operated in 1983 and using the same number of gallons of diesel fuel consumed in 1983.

If the provisions of S. 1475 were enacted and a five-cent diesel differential were adopted, my federal fuel tax would be:

471,796 gallons x 9¢ present federal tax = $42,461
471,796 gallons x 5¢ diesel differential = $23,590
$66,051

Compare this with our 1983 federal tax payment:

federal fuel taxes	$36,353
federal use tax	4,620
	$40,973

My subtraction tells me that, with a 5-cent diesel differential substituted for the federal use tax I paid in 1983, my company would pay an increase of $25,078 in federal taxes in this category in 1984.

For the 22 units operated by my small company, this means an increase of almost $1,140 additional federal taxes per unit.

It also means that I would be paying more than a 511 percent increase through the five-cent diesel differential over what my special use tax responsibility was in 1983. I don't know any other business in this country that has been asked to pay that kind of tax increase.

None of us like tax increases but I know we need additional money for our highways. The diesel differential tax at least would be a pay-as-you-go tax which could be collected easily and efficiently. Further, this tax source has a potential for growth as business improves.

IF the special "fixed" use taxes at the federal level are not reduced, my company in 1984, under the illustrations I have computed would pay:

Federal fuel taxes - 471,796 gallons x 9¢ = $42,461
"Fixed" federal use tax on 22 units x $1,600 = 35,200
$77,661

Compared to my actual total federal taxes paid in 1983, this would mean an increase of $36,688 just in these federal taxes for my company. My federal "use" tax of $4,620 would have been increased 762 percent and I would somehow have to "find" at least the first quarter of that lump sum payment of $35,200 on July 1, 1984, under the provisions of the present STAA legislation.

Project those fixed user fees on up to the $1,900 level and my company is faced with even greater federal tax payments regardless of the miles I operate.

I think it would be very easy for the Committee to calculate, from the figures I have submitted in this statement, that even doubling the present maximum highway user fee of $240 to a $480 maximum, and adopting the 5-cent diesel differential, would subject my company to a federal tax payment almost equal to that now required under the STAA legislation for 1984.

Federal use tax: 22 units x $480 = $10,560
471,796 gallons x 9¢ = 42,461
471,796 gallons x 5¢ = 23,590
$76,611

This particular tax option would be approximately $1,000 less in total tax payments than the 1984 taxes required by STAA. I honestly must say to you that if we are to receive any meaningful help with our tax burden, that option would not offer my company much relief.

While I have given you my actual federal use tax payments for the years 1982 and 1983, I would remind the Committee that motor truck owners encounter another complexity with application of the use tax. The use tax follows the vehicle.

If I should trade my present equipment for replacement vehicles, I lose all remaining credit on the federal use tax dollars I have paid on my existing equipment. In that taxable year, I must pay additional tax dollars on the vehicles for which I have traded. The tax payment on the newly-acquired vehicles is prorated for the number of months remaining in the taxable year, but represents substantial additional tax dollars when we are prorating a $1,600 a year -- or a $1,900 a year tax liability per vehicle.

Further, application of the use tax may force a management decision different from one I would like to make. Let me illustrate.

The last time I traded for new equipment, the manufacturer from whom I purchased my truck-tractors, offered a very favorable finance rate in today's money market. I was able to take advantage of that rate and replace my equipment without any great additional tax burden in terms of the present federal use tax. The equipment trade was made in May and did not present a major tax burden at $210 per unit, prorated for two months of the current tax year.

I might have had a quite different story had that opportunity to efficiently trade my equipment presented itself in August or September of a taxable year in which I had just paid the STAA use tax on my existing equipment. I would lose the credit on the equipment for which I already had paid the tax, and would have to pay again for the new equipment for 10 or 11 months of the current tax year. The opportunity to replace equipment could cost sizeable tax dollars to my company -- again without any relationship to my use of the roads and highways.

For the purposes of my statement to the Committee today, I have addressed only the increases in fuel and special use taxes. My company, like every other trucking business, will be paying more federal excise taxes on our purchases of truck and trailer equipment and on our tires purchased after January 1, 1984. I have not even attempted to assess the increases Branson Truck Line, Inc., will pay in these categories. I can tell you that our power units now cost us some $65,000 each and our trailer equipment $32,000 per unit.

Our livestock industry is indeed grateful for the 80,000-lb. gross weight provisions of the STAA legislation. Uniformity in sizes and weights will benefit shippers and help hold down transportation costs.

I would point out that some segments of the industry will benefit more than others from the 102-inch width provision of STAA. In the cattle business, the 102-inch trailers will be of little benefit to my company as we have the capacity in our present equipment to haul all the cattle we legally can scale on our axle limits.

The STAA legislation did not add one ounce of weight to the axle or gross weight limits we have had in effect in our state since 1973 and which were authorized on our interstate system in January, 1975.

I hope members of the Committee have some idea of the destructive increases the present STAA legislation holds for me and my business and for countless others in this same situation. I have not presented to you today any "guess" estimates. I have tried very hard to show you exactly how these taxes impact on my own business.

I speak for all of the members of our Association when I tell you that we are willing to pay our way -- but there is a limit. The 5-cent fuel tax differential on diesel fuel as proposed in S. 1475 offers an efficient, pay-as-you-go answer to collecting highway revenue.

We do need money for highways. I strongly believe that the tax dollars highway users pay should all go to fund our highway programs and that we need to watch expenditures in this critical area. Highway taxes should pay for highways.

I have paid my special highway user tax dollars at the current level and have paid my fuel taxes at both the state and federal levels in full.

I hope you will review what we are paying in state registration fees and state fuel taxes as you consider the ability for motor truck owners to pay a workable level of federal taxes.

We need this Committee's help to find that workable solution that will permit us to continue to provide the transportation services our communities need and to pay-as-we-go through fuel taxes to fund our highway programs. I do not pretend to be any fiscal expert on highway taxes. I do know about my company and what it takes to pay the bills. I will be glad to attempt to answer any questions you may have. Thank you again for permitting me to bring my statement to the Committee.

The Chairman. Thank you.
Mr. Ashworth.

STATEMENT OF RAY ASHWORTH, EXECUTIVE VICE PRESIDENT, VIRGINIA HIGHWAY USERS ASSOCIATION, RICHMOND, VA, ACCOMPANIED BY JOHN FAIN, OVERNIGHT TRANSPORTATION CO., RICHMOND, VA

Mr. Ashworth. Thank you, Mr. Chairman.

My name is L. Ray Ashworth, and I am the executive vice president of the Virginia Highway Users Association, which is affiliated with the American Trucking Association. My association represents all types and classes of motor carriers operating in the Commonwealth of Virginia.

First, we appreciate the fact that you are holding the hearing on alternative means of truck taxation, and I appreciate this opportunity to appear before you.

We in Virginia are committed to paying our fair share of highway taxes and fees to raise the necessary revenues to fund increased federal spending to rebuild our Nation's highways and bridges. However, this special truck tax increase approved in the 97th Congress and the Surface Transportation Assistance Act is too high and really is not related to our Nation's use of the highways.

We are still shocked by the 700 percent increase in the heavy vehicle use tax. The tax is unfair and bears no relationship to use. A vehicle traveling 10,000 miles per year pays the same as a truck which travels more than 100,000 miles per year.

The trucking industry in Virginia has joined ATA and the Coalition for Equitable Truck Taxes in supporting legislation to repeal the heavy vehicle use tax and replacing this tax with a 5-cent diesel differential applicable only to trucks. As you know, Senator Malcolm Wallop and other cosponsors have before you S. 1475 in support of our position.

The approach offered by S. 1475 has three distinct advantages:

First, it establishes the tax rates for the trucking industry which are equitable and more affordable,

It returns user funding of highway projects to a pay-as-you-go basis, and

It establishes a taxing mechanism which is easily administered and provides little opportunity for noncompliance.

It is our contention that any tax alternative that you consider should raise the revenue necessary to fund the highway spending approved by STAA. But you know as well as I that every tax dollar raised will be spent. We support fair taxation, not necessarily the fees which will place too heavy a burden on an industry that is currently struggling to survive.

Mr. Chairman, the Commonwealth of Virginia has always been proud of its heritage and its tradition. We sent you two Senators—in fact, both served on this committee—they being the late Harry F. Byrd and Harry F. Byrd, Jr.

The senior Senator started in Virginia, and we have practiced for many years a pay-as-you-go system of financial responsibility. Now we have Senator Warner and Senator Paul Trible, both fiscally conservative gentlemen. They too subscribe to a pay-as-you-go system for an alternative method of financing our highway system Such a system is the most fair and equitable, and therefore we urge you to support a 5-cent diesel differential as a substitute for the inequitable user fees approved in STAA.

I do appreciate your time, and I would appreciate it if you would hear for just a moment Mr. John Fain, who is general counsel for Overnight Corp., with general headquarters in Richmond, VA.

The CHAIRMAN. Right.

You are not listed as a witness, but if you can summarize it quickly. We still have six witnesses.

Mr. FAIN. Thank you, Mr. Chairman. I realize you are pressed for time, and I will just take a quick second.

My company is strongly opposed to the unrealistic user fees contained in the Surface Transportation Assistance Act of 1982. We are not opposed to paying our fair share to maintain our Nation's roads and bridges; however, the fees in STAA unfairly punish our trucks, and the fees bear no relationship to our actual use of the Nation's roads.

As it stands now, the tax provisions in STAA will cost my company alone an additional $2.5 million in increased taxes each year. We feel the taxes are inequitable, and we vigorously support S. 1475 as a more equitable means of raising the necessary funds to restore our nations infrastructure.

The user fees approved in STAA are unfair because they bear no relationship to the amount of time our trucks spend on the highways. For example, our pickup and delivery trucks travel an average of 20,000 to 25,000 miles per year; whereas, our sleeper units can average more than 150,000 miles a year. And yet, under the user fee concept these trucks pay the same amount of tax. Obviously, the concept of user fees is unfair, and for this reason we support the diesel differential. It is more equitable, a pay-as-you-go means of raising the necessary funds to support the Nation's highways and bridges.

In addition, the 5-cent tax envisioned in S. 1475 would be easier to administer and collect. The tax should raise enough money to support the revenue needs identified in STAA.

For all these reasons, we would urge the support of S. 1475. And again, I want to thank you for letting me speak.

The CHAIRMAN. I would ask any witness: Why this sudden change by the ATA? We couldn't interest them in a diesel differential in 1982, and now you'd think it was like sliced bread. Everybody thinks the diesel differential is the only thing in town.

Mr. ASHWORTH. As I said earlier, I have always been a pay-as-you-go supporter, being from Virginia.

The CHAIRMAN. Well, what about 1982?

Mr. ASHWORTH. I wasn't the spokesman in 1982, sir.

Mr. FAIN. I guess it is the lesser of two evils, Senator. I mean, I think we all realize we are going to get hit, and we're going to get hit hard. It's a question of how can we spread the tax evenly and fairly and administer it in such a way that you can register your trucks and know that they are properly registered and that there are people out there not avoiding the tax.

It seems to me that with the diesel differential you would collect the tax as it goes, there is a system in place to collect the tax, and it would be a much more fair way of doing it all the way around.

The CHAIRMAN. But if you get that differential too high, people are going to find some other way—you know, use heating oil or something else, where they don't have to pay any tax. That's why I think we have a compliance problem.

Someone suggests you—in their difference, but you don't get it out of 5 cents and repeal the tax. We understand that is not revenue neutral. It may shift some costs to somebody else.

We are trying to figure out what we do do, but we have to make certain all the players really know what they want to do. I mean, everybody wants to pay less tax, but we haven't had a single person come to our committee in the 3 years I have been chairman saying, "Please raise my taxes." I can't recall anyone doing that. If they have, then we would have them examined immediately. [Laughter.]

So we don't quarrel with anybody who comes and says, "This isn't a good tax. We don't like it." But we also have a responsibility to try to make it work—pay-as-you-go, or whatever.

We're not doing that in our Government, because we've got a $200 billion debt. The stock market has dropped 130 points since January; we've got a big, big deficit; so we are going to try to keep everything revenue-neutral around here.

There hasn't been any change since—what?—since 1956 in taxes. You talk about a-700 percent increase; that's since 1956. Is that correct?

Mr. ODELL. I don't think that's right.

The CHAIRMAN. Inflation since then has gone up 400 percent.

So we are going to try to figure out some equitable way to——

Mr. **Odell**. Of course, during that time there wasn't anybody up here asking anything about raising them, either.

Mr. **Fain**. Senator, one other thing I would point out, if you are talking about taxes.

The **Chairman**. Let me just say, you have all addressed the 1982 act. We are going to try to change that. I think when you say it is going to be $35,000—we didn't like it at the time. I think you will recall that, at least on this side of the Capitol, we thought the tax was much too high. We thought that in conference. I don't fault the House, because they had supported the administration proposal and felt some obligation to stick with that proposal, but hopefully we can work out some equitable way. There is no way we are going to please every group that testifies today. I hope you understand that, too.

Mr. **Odell**. Right. But, Mr. Chairman, when you said they are going to try to change this from 1982, you know, just taking the DOT 4 proposal that was here today, I kind of run the figures up back there on that proposal. With the $650 Federal use tax and the 6-cent diesel differential, using the same gallonage that I burned in 1983, just using that for 1984 would increase my deal $1,936 per unit.

The **Chairman**. Over what?

Mr. **Odell**. Over 1983.

The **Chairman**. Oh, with the bill that hasn't gone into effect yet?

Mr. **Odell**. No, no. Over the——

The **Chairman**. Over the 1956?

Mr. **Odell**. Right.

The **Chairman**. Well, we are fairly good at working things out around here, if we don't get hit by a truck, you know. [Laughter.]

The **Chairman**. Senator Durenberger.

Senator **Durenberger**. Well, this is the first time I have heard a comparison to that alternative 4. Why don't you trot us again with comparable figures through the present law that takes effect July 1 and the effect it has on you, compared to the alternative No. 4 that was presented here earlier from DOT?

Mr. **Odell**. Well, the present law, in my case, was a $210 user fee per unit. Then as of right now, the STAA legislation would be $1600 a unit. And using my gallons that I burned in 1983, at 6-cents a gallon, as the DOT 4 was talking about, and a $650 Federal use fee, my costs for 1984 would be a $1936 dollar per unit.

Senator **Symms**. Thank you very much, gentlemen. We appreciate your testimony.

Our next panel, who I was going to call up—I might just ask before we call them, because I note that they are all three from right here in the area, is there anybody waiting to testify that is having trouble catching an airplane?

Voice. Yes, sir.

Senator **Symms**. Who is that?

Mr. **Siegel**. Marshall Siegel.

Senator **Symms**. Would any of you from the Bennett Whitlock, John Archer, and George Berg panel mind if we switch you to the last panel? Do you have airplanes to catch too? Sometimes I know you have to leave.

OK, if not, then let's call up Marshall Siegel, William Morgan, James Johnston, and Mike Parkhurst, who are here from out of town, and let's let them testify, and then we will save the Triple-A and the ATA and the Farm Bureau for last.

Mr. Siegel, you say you have a plane to catch. Why don't you go right ahead and testify first, and we will let you go then.

STATEMENT OF MARSHALL SIEGEL, EXECUTIVE DIRECTOR, I-TOO, INC., DBA INDEPENDENT TRUCK OWNER-OPERATORS ASSOCIATION, CANTON, MA

Mr. SIEGEL. Thank you, Senator. We appreciate the opportunity to be here.

I-TOO strongly supports modification of the tax structure imposed on the trucking industry by the Surface Transportation Assistance Act of 1982. The effect of this tax on the trucking industry, and particularly on small truckers including the owner-operators, will be so adverse that many of them will not be able to continue in business.

Contrary to Secretary Dole's testimony, this tax cannot be passed on by owner-operators.

First, let me make it clear that I-TOO is not opposed to the trucking industry paying its fair share of taxes for highway construction and maintenance. We are, however, of the opinion that the amount of tax, as well as the way in which it will be collected, is grossly unfair. We don't mind the tax being revenue-neutral; we don't want to be revenue-newted. [Laughter.]

Mr. SIEGEL. Assuming, for the sake of discussion, that there can be no change in the total amount of taxes imposed upon the trucking industry, however unfairly, it should be understood that the front-end loading feature of the tax will be an absolute killer for the independent truckers and small trucking companies.

Most owner-operators presently operate on a thin, shoestring margin, and many have lost money during the last several years through an ineffective regulation by the Interstate Commerce Commission, which has allowed development of a destructively low rate structure.

The prospective nature of the tax is highly objectionable. By eliminating the up-front heavy truck use tax or by keeping it no higher than its present level, and by adding a 5-cent per gallon diesel differential fuel tax, approximately the same amount of revenue that would be produced by State would be produced under S. 1475 or a similar proposal.

We ask that this committee do its best to see that S. 1475 comes out and is passed by Congress. We need that help. The owner-operator has to survive. We are an important and integral part of the trucking industry. And the only way we are going to survive is with a fair tax. That fair tax is the diesel differential. In fact, for an owner-operator that has one truck, we would like to see the user fee completely abolished.

Senator SYMMS. Under the current law, of course, if an owner-operator has one truck they won't be hit, if we don't do anything, for 12 more months, I guess, before the noose tightens up.

You say S. 1475, meaning you want a 5-cent diesel differential or a 6-cent diesel differential?

Mr. SIEGEL. We could live with a 5-cent diesel differential.

Senator SYMMS. But with no use tax?

Mr. SIEGEL. With no use tax.

Senator SYMMS. So then you do not look favorably on DOT No. 4?

Mr. SIEGEL. No; I think one of the reasons that we say that is, if you go back into this original 2290 form that the owner-operator files, the $240, a lot of truckers have never filed that, never paid that $240. There are a lot of them who are unaware of it, and are unaware of how to do it. I think you are going to find that, if you go with the DOT's proposal, you are going to come up with a lot more revenue than has been anticipated, and the owner-operator is the one who is going to get hurt, by and far away more than anybody else. He cannot pass that on.

Senator SYMMS. How many truckers do you suppose, that are operating out there, don't pay the use tax now?

Mr. SIEGEL. Do you want to get me hung?

Senator SYMMS. No; but, see, I have been making that argument, but not to too much avail, with DOT and other people, that we will raise a lot more revenue than has been projected.

Mr. SIEGEL. I would be willing to say that a good 35 to 50 percent of them don't realize that that tax had to be paid and how to pay it.

Senator SYMMS. The $240?

Mr. SIEGEL. That's correct. If that was collected at the time the owner-operator or the motor carrier purchsed his license plates, right then and there at the State registry, you would save a lot of problems with compliance.

Senator SYMMS. So, what you are saying is that if we did put in DOT No. 4 and it went into effect immediately, starting July 1 of this year, that you think it would be safe to guess that after say 2 years of operation we could prove the fact that there was more revenue, and we could reduce the use tax then?

Mr. SIEGEL. I think so. But would you refund it to us?

Senator SYMMS. Well, I would be willing to, but I doubt if, with a $200 billion deficit and with the highway needs, we would.

You come from Massachusetts, don't you?

Mr. SIEGEL. Tip O'Neill is not my problem. He wants that third tunnel, and we are hurting worse than you will be, because they are trying to do that expressway over in March, and it's just going to be one hellacious problem in there. I think no truck will ever come in——

Senator SYMMS. Well, it may be a meritorious project. I have found, from the Highway Committee, which I am on, and the Public Works Committee, most of the projects that Congressmen and Senators come in with are usually meritorious; it's just that there becomes a limit to how much money we can spend.

Mr. SIEGEL. Well, you know, they are fighting to keep the twin trailers off their roads. So they are biting the hand that feeds them.

Senator SYMMS. Thank you.

[Mr. Siegel's prepared statement follows:]

I-TOO **INDEPENDENT**
TRUCK OWNER-OPERATORS ASSOCIATION

INDEPENDENT TRUCK OWNER-OPERATORS ASSOCIATION

STATEMENT TO SENATE COMMITTEE ON FINANCE ON MODIFICATION OF THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982 AS PROPOSED IN S. 1475

Febuary 9, 1984

My name is Marshall Siegel, P. O. Box 621, Canton, Mass. 02021. My telephone number is (617) 341-2030.

Mr. Chairman and members of the Committee, I want you all to know that I appreciate the opportunity to appear and testify on this matter of paramount interest to our membership. The Independent Truck Owner-Operators Association, called I-TOO for short, is a group of over 5,100 owner-operators, merchant vendors who sell to owner-operators, finance companies who finance owner-operators, and trucking companies that employ owner-operators. I am its executive director. It is an organization of, by and for the owner-operator. Other classes of members of the association may join only after they are investigated and approved as being persons who have a record of dealing fairly with owner-operators.

I-TOO has members in every state of the union, and our membership is growing rapidly. The organization is about three years old. We represent a responsible alternative for the owner-operator, unlike those organizations that caused or supported the trucking strike last year. We thought it unwise at the time, and actively opposed it. I-TOO works for the good of the owner-operator, and assists him or her in getting into business and staying in business through furnishing of operational information, general business advice, and as an information disseminator. I can assure you that we intend to make certain that our membership and their friends are fully aware of what the administration and this committee have done and are doing to and for our members and others in the trucking industry.

I-TOO strongly supports modification of the tax structure imposed on the trucking industry by the Surface Transportation Assistance Act of 1982. The effect of this tax on the trucking industry, and particularly on small truckers including owner-operators, will be so adverse that many of them will not be able to continue in business.

First, let me make it clear that I-TOO is not opposed to the trucking industry paying its fair share of taxes for highway construction and maintenance. We are, however, of the opinion that the amount of the tax as well as the way in which it will be collected is grossly unfair. Methodology of DOT in computing the amount of the tax has been disputed by experts, and frankly that disputation is more persuasive to us than the original DOT studies. Nevertheless, we understand that S. 1475 must be approximately "revenue neutral," when compared with taxes that would be collected commencing July 1, 1984 under the Surface Transportation Assistance Act of 1982.

Assuming, for the sake of discussion, that there can be no change in the total amount of taxes imposed upon the trucking industry, however unfairly, it should be understood that the front end loading feature of the tax will be an absolute killer for small truckers and trucking companies.

Most owner-operators presently operate on a thin shoestring margin, and many have lost money during the last several years due to ineffective regulation by the Interstate Commerce Commission, which is allowed development of a destructively low rate structure. For these same owner-operators who have been abused by government regulation to now be hit with an up front use tax of $1,600.00 per unit (to begin with) would be the final blow. I am cognizant of the fact that operators of five units or less will not face the additional heavy truck use tax until July 1, 1985, but the mere specter of having to pay this onerous tax has caused a number of our members to throw up their hands and go out of business. Moreover, we are also concerned about the smaller trucking companies, which own perhaps 10 to 50 units of their own, and who also use owner-operators, who will be put into a tremendous economic bind on July 1 of this year if they must pay a heavy lump sum use tax to the federal government. A company owning 30 units of equipment would be forced to come up with $48,000.00 on July 1, 1984, without ever generating any revenue from the trucks to be used. The prospective nature of the tax is highly objectionable. By eliminating the "up front" heavy truck use tax, or by keeping it no higher than its present level, and by adding a five cent per gallon diesel differential fuel tax, approximately the same amount of revenue that would be produced by STAA would be produced under S. 1475 or a similar proposal.

I would be remiss in my duty if I did not tell you that there is a great deal of talk going around concerning a coordinated, nationwide truck strike in protest of these STAA confiscatory taxes. While owner-operators and other truckers are willing to accept a fair tax, they are not willing to roll over and play dead for a tax that is inherently unfair both in manner of collection and in amount. Therefore, I respectfully call upon this committee to give us relief. While we have not supported and likely will not support any call for a truck strike, the desperation of the situation is what gives rise to the exposure for one. I-TOO is a member of the Coalition for Equitable Truck Taxes, and generally supports the position taken by that group. Therefore, I have kept this statement brief in order to keep from repeating material which will be submitted by other members of the Coalition.

The **Chairman**. Mr. William Morgan is next.

Senator Roth.

Senator **Roth**. Yes; I want to welcome Mr. Morgan, who was very helpful these past days when we were having difficulty in enacting the legislation that has become so controversial.

I want to compliment him, because he was very informative, had the facts, and did a great deal to educate us without some of the threats that other people were getting at that time. So I am truly delighted to have Mr. Morgan here.

STATEMENT OF WILLIAM H. MORGAN, PRESIDENT, DELMARVA INDEPENDENT TRUCKERS ASSOCIATION, LINCOLN, DE

Mr. **Morgan**. Mr. Chairman, members of the Finance Committee: I am William H. Morgan, President of DelMarVa Independent Truckers Association: I am here today asking for your support in every means possible to complete your study on the Surface Transportation Assistance Act of 1982, and to please abolish and do away with it, as we are for a bill, H.R. 2124, and S. 1475, as in the best interest for the truckers. And we feel a highway use tax should be abolished, and all taxes put on the fuel differential, as a fair price for everyone to pay.

We feel it should be an adjustable tax; as to the cost of highway repairs and construction, as needed.

We want to pay taxes for our highway system, but on a pay-as-you-go basis. Submitted here today is our program, and we welcome you to pick any part of it apart. It has been approved by millions of truckers, without the first objection and we are more than pleased with the Congressmen and Senators' support in Washington.

I would like to make one thing clear on this. The program that we have submitted is a fool-proof program to the committee and to the chairman. There is no paperwork involved; there is no bookkeeping for the Government or the individual or the businessman. It is completely put on the fuel pump, with everyone to know they are going to get their moneys. There is no way of cheating, no way of under-mileage or anything. It is protected for us and by the Government's concern.

If this one tax is put on the fuel pump, everybody is going to pay as they go. Where there is a short distance, they use less fuel, they pay less. High mileage? They use more fuel, they pay more.

We are asking for your support in every way possible today to help us lick this battle of these devastating taxes.

I thank you for your time.

Senator **Symms**. Thank you very much.

Mr. Parkhurst.

[Mr. Morgan's prepared statement follows:]

DELMARVA INDEPENDENT TRUCKERS ASSOCIATION ADDRESS TO MR. CHAIRMAN AND MEMBERS OF THE FINANCE COMMITTEE PRESENTED BY WILLIAM H. MORGAN - PRESIDENT

I am before you today with the results of study, survey and investigations from a group of people experienced in the field acquainted with the problems. We are presenting to you a plan, fool proof, that our Directors will be glad to defend (any part of) and will work free hand-in-hand with our States and Federal government, so we can salvage and continue the emergency transportation system, so efficiently performed by our Independent Truckers.

I know the question in everyone's mind is - What makes the Independent Trucker emergency transportation? It is because he handles the food and ingredients that produce our food to the farm, to processing plants and from orgination to our warehouses, markets and our stores. Just ask ourselves what do we eat that an independent trucker has not handled at one point or another. A boat, a plane or the railroad may have been involved, but they did not complete it. We have never worked against any other source of transportation because we all have a part to serve in this Nation. I wish I could say that they have never worked against us. It is time for all to join our strenght forces and services together for the future of all. The independent trucker has always done a service that Big Transportation has not provided - to inconvenient or not profitable, as they have bigger, better fish to fry. All of our lives we have never been a liability, nursing the taxpayers for hand outs, now in our desparate time of need we are not asking for it. We are telling you that there is no way that we can survive all the unjust taxation and severe working conditions that have been so carefully planned against us.

Listen to us, let us live and we will bring a beautiful life to all of our Nation. Let us work together, in time, to cure the hate, depression and bitterness that is lodged so solid in the hearts of the Independent Truckers, the Farmers and the house wife that we have so faithfully served. Let us work together and reunite our States as they are so separated and hating each other. Virginia and Pennsylvania started the ball rolling, now all other states are determined to out do them. No one gets the blunt except the truckers, dogs of a different breed, getting along is wonderful, but if they are fighting, that is sure disaster to some of them.

1. Abolish all Highway Use Tax.
2. Abolish the Federal Excise Tax.
3. Abolish Tire Tax.
4. Abolish Equipment Tax.
5. Abolish Parts Tax.
6. Abolish all bridge laws on equipment.
7. Abolish all axle laws on equipment.
8. The forty-eight foot trailer is here with the 102" width and the double bottom. We recommend to let these items stay. Their performance will either be their future or their destruction. Something to be proven and be seen.
9. Abolish all State Fuel Stickers.
10. Abolish all P.U.C. Stamps.
11. Abolish all individual State Axle fees. (PA)
12. Abolish all State Weight Permits in excess of Special Loads, Loads and Special Equipment.

By abolishing all of the above we will save billions and relieve the burden from our States. All of this is a complete waste of money, doing everyone damage with no profit.

Replacement with one Federal Tax now existing by adding the State Tax to the Federal Tax and any necessary additive to both taxes to bring forth to this Nation more than sufficient monies to build and maintain, with proper snow removal and salt programs, the most modern highway system in the world. This is what every user wants and above all will be paid for as to the equal use by their fuel consumption, from a motorcycle to a double bottom, with all money ear marked to a National Highway Fund. This will take a burden off every state except a mileage tax on top of a fuel tax in the State of New York. They would be only to happy to receive 100% of their Highway budget from this one Federal Tax Fund.

Give us one National Weight Law. Let us make our States friendly neighbors instead of existing enemies. 80,000# with a 1,000# tolerance and a reasonable overload fine without axle weights or bridge laws.

Passage of this plan will keep our trucks on the road and make us the happiest motorist by having good highways and being equally supported that can only bring forth employment and profits that are taxable without question give our economy the biggest boost that it ever has had. Everybody happy and content while they are doing it. A new and improved America can be born with nothing but a prosperous future.

The cart before the hourse program we are now using can only lead to destruction of fifty percent of our trucks. Equipment turned into finance companies will mean unemployment, welfare applicants and a sure bankruptcy court prospect. These people must remain as taxpayers instead of receivers from our taxes.

There is no question as to there being no one who can use our highway system without burning fuel and paying taxes on it. It is the only way to have equal proportions as to their use.

Eliminate all of the red tape, un-necessary taxes and bring down to one simple adequate tax which will certainly eliminate billions of wasted money that will at least pay the interest on our National Debt.

COMPARISION OF LIGHT WEIGHT TRUCKS AGAINST HEAVY WEIGHT TRUCKS

LIGHT WEIGHT TRUCK

Gross	32900	32,900 divided by 6 tires = 5,483# per tire on the road
Tare	11000	
Pay Load	21900	No Tax Free Ride

HEAVY WEIGHT TRUCK

Gross	80000	80,000 divided by 18 tires = 4,444# per tire on the road
Tare	34000	
Pay Load	46000	

Tax

$1,600.00 to carry an additional 24,100# which is just 47% more weight.

Explain to the organization how such a price was arrived at by the D.O.T. I feel that this is a very unfair price to pay. Please notice that the light weight truck will do more damage to the highway than the heavy duty truck.

A car driving 10,000 miles per year averaging 20 miles to the gallon would use 500 gallons of fuel @ $ .09 Federal Tax = $ 45.00

A truck driving 100,000 miles per year averaging 5 miles per gallon will use 20,000 gallons of fuel @ $ .09 Federal Tax = $ 1,800.00

This is 4,000% higher rate for a truck than a car.

Submitted by:

William H Morgan
William H. Morgan - President

Delmarva Independent Truckers Association
R. D. # 1 Box 513
Lincoln, DE 19960

302 422 0712 or 8008

1984 PLATFORM AND PROGRAM
UNANIMOUSLY ADOPTED JANUARY 21, 1984, BY
THE DELMARVA INDEPENDENT TRUCKERS ASSN.
R. D. 1 BOX 513
LINCOLN, DE 19960 302-422-8008 OR 0712
YOUR COMMENTS WILL BE GREATLY APPRECIATED.

There was no opposition against the original licensing with proof of insurance in each state of residency.

There was no opposition to the property tax assessed upon purchase value of each vehicle certified by seller and being paid upon issuance of title now exercised by each state.

It was unanimously approved to work for total abolishment of the Surface Transportation Assistance Act of 1982. Hereinafter clearly described as to why.

1. The payment of $ 1,600.00 highway use tax graduating to $ 1,900.00 will destroy over fifty percent of all independent truckers that is the number one key of satisfactory transportation for every farmer, housewife and food processors of this Nation. Their absence can cause the economy of our Nation severe losses beyond any imagination.

2. The twelve percent equipment tax on top of all the inflation cost represented in the price of new equipment will halt the sale of more than fifty percent of the equipment that is needed and would be purchased. These losses in sales will result in unlimited blockage of job holders as to manufacturing, steel workers, unemployment, profits received by dealers and will reflect unemployment to every plant or plants manufacturing many items to construct this new equipment so badly needed.

3. The tire tax as an additive to the inflation cost will result in a reduction of the sale of new tires and enhance that last mile of travel in an old tire. That will bring hazardous conditions to our highways and destroy the safety that we have worked so hard to secure for our drivers and the gereral public out there. We notice that political

> power did accomplish in Washington the removal of the recapping tire tax encouraging more and more purchasing of recaps that we see so much of up and down our highways cluttering our transportation system. Our highways operating on the future plans of recap tires is certainly signing an advanced death certificate for so many of our citizens.

The truckers of this Nation are not wanting to control this Nation but are demanding equality and treated with justice and fairness and to have the privilege of making a respectable living for their families and would be so proud to pay taxes on profits made in this Nation.

The truckers of this Nation have proposed for years that they want good highways, good bridges, improved highway systems and above all one hundred percent of maintenance to our highways. They have agreed to pay one tax adjustable as to sufficient to build and maintain every highway in the United States with the same tax applying to all business vehicles and pleasure vehicles using these highways.

It is so simple, efficient, economical and red tape proof for the Federal Government to increase and collect their existing federal fuel tax already existing, no more paper work, no more employees, no more mail cost, just a simple change of figures. This will certainly bring equalization for payment of the highways in accordance with the use of them.

By enacting this one tax system that will bring forth daily all the highway expense of the nation and will eliminate all the State Tax Department, all fuel stickers, all permits now required on a truck other than residency license and proof of insurance. This will save billions and billions of dollars of wasted money by the states and by the transportation system of this Nation.

At the present time every state depends on Federal assistance to their highways and with this one pump Federal tax will bring forth the money for all states cost of highways and maintenance to be turned back to each state. The construction and maintenance of all highways within each states boundary to be the responsibility of that state but completely funded far by Federal Government on the fuel tax at the pump.

States appropriations from the Federal government should be based on miles of road within, fuel sold within that state and collected by Federal government and above all the conditions of the transportation system in that state as the trucking industry wants every states roads in top condition.

The Senators and Representatives of the state of Delaware have worked hand in hand with the truckers of the State of Delaware and have had enacted and enforced the fairest weight law in the nation. The Association and members urges the Association staff to work with what we have in Washington for a national weight law equal to the Delaware law before Federal interference.

Eighty thousand gross with a tolerance of one thousand pounds, no axle weight and no bridge law and a reasonable overload fine that will bring in considerable revenue to each state.

1. By abolishing axle weight will allow trucks to operate with proper handling and safety to our roads. Whereas, the axle weights has brought forth sliding tandems, sliding fifth wheels and has made a vehicle legal but the most hazardous handling piece of equipment ever entered our roads.
2. The bridge law has enhanced the same thing and jeoperdized the dump trucks of the nation from carrying a profitable load and brought forth the longer trailer that is now conjesting our cities, our Country and all of our highways that are not designed for this equipment.
3. The truckers of this Nation certainly deserves equal weight limits throughout it which will correct the now state fighting as some states have imposed unjust axle fee, unjust weight permits that has brought forth considerable anger and desire to get even with these states by each and every other state doing to these states registration crossing their state.
4. There is no question that the transportation of this nation is national and should be controlled by Federal; making every area in it alike.

It was unanimously approved for the appointed committee to work cooperatively with Washington to bring forth urgent corrective measures to our transportation system that will aid it to survive and be profitable. Let's make them proud taxpayers on profits that they have made.

We urge every trucker and his friends to write to your Congressman & Senator and request his vote to correct our trucking laws and ask for a report from him as to progress being made in Washington.

It was also unanimously approved that if we cannot establish our goal by June 1, 1984, our next fight for survival will be a new political system of truckers supporting any Representative or Senator or any other elected official of either party that we may elect and have his support with us. We feel sure we can organize the entire transportation system through our truckers magazines, CB"s, trailer stickers such as "Reagans tax and weight laws are just no good" and on the other door "1984 please help us to send him back to Hollywood." After all our extreme efforts we may go down but there is one thing for sure we will take some others down with us. There has never been truer words spoken than everybody must pay their debts and as of now we do have a big debt in Washington to pay. All the votes that have been cast against us we must deliver votes against them in order to pay our debts to unjustice.

Our association has continuously worked to avoid strikes, vandalism, terrorism and keep honor and peace within in spite of all the unjustice that has been bestowed upon us

The trucking industry is not asking for relief from the taxpayers for their disaster conditions. Like the millions that have been donated to the railroads, the millions that have been donated to mass transit, like the billions that has been donated to the banks to cover their foreign bad debts, the millions that has been donated to the farm pik program or the billions that is going to be paid to the milk producer or billions donated to foreign countries. All we are asking for is working conditions that we can economically operate with and we are more than agreed to pay the adjustable one tax on the pump to support all the cost of the nations highways in a perfectly equal way. When you buy you burn, when you burn you earn. Your earnings designates your equal use of the highway. There is no way the trucking industry can survive their deficits like our Government now is operating. We feel that definitely you cannot pay the impossible or spend what you do not have.

We honestly admit that we cannot match the lobbying and the financial condition of the railroad and big business that has brought forth majority votes against us but we are sure that election day we can deliver and will deliver the individual vote to correct the corrupt system that has brought forth all our impossibilities to survive.

DELMARVA INDEPENDENT TRUCKERS ASSOCIATION

William H Morgan

William H. Morgan President

SUMMARY OF REQUEST TO SENATORS AND REPRESENTATIVES OF NEEDED FUTURE AS TO CHANGES

1. Abolish federal excise tax.
2. Abolish tire tax.
3. Abolish equipment tax.
4. Abolish parts tax.
5. Abolish all bridge laws.
6. Abolish all axle laws.
7. The forty-eight foot trailer was put on the road by Mr. Railroad - Drew Lewis. The double bottom system was put on the highways by passage of The Lame Ducks and efforts from the big trucking industry. This Nation has spent their money in this special equipment. We do acknowledge that these double bottoms that are pulled from city to city does give us a shorter trailer for pickups and deliveries in our cities and does comply better with our existing design of highways. We recommend to let these two items stand and their performance will either be their future or their destruction. Something to be proven and be seen.
8. The abolishment of all state fuel stickers.
9. Abolishment of all PUC stickers.
10. Abolishment of all states axle fees.
11. Abolishment of all states weight permits in excess of special loads and special equipment.

Replace this with one federal tax now in existence by adding the existing state tax to the federal and a necessary additive to both taxes to bring forth this Nation more than sufficient moneys to build us and maintain the most modern highway system in the World. That will be an equal payment for them to everybody as to their use which will give us a wonderful transportation system and bring forth considerable employment in doing so. Will eliminate all fifty-one tax reports, billions spent in auditors and use this wasted money to improve our working conditions, our highways and employment.

With each dollar collected being ear-marked as to good maintenance and future construction of the highway use only; whereby each state will get their one hundred percent maintenance cost and construction cost budget from Federal Government that has arrived from this one federal tax collected on the pump. This will bring a new America to our transportation system and our highways that we can only be so proud of.

DELMARVA INDEPENDENT TRUCKERS ASSOCIATION

William H Morgan

William H. Morgan President

Senator ROTH. Could I ask just a couple of questions before we go to the next witness?

Senator SYMMS. Sure. Go ahead, Senator Roth.

Senator ROTH. I take it from your testimony, then, you do not support or favor the Department of Transportation compromise proposal.

Mr. MORGAN. No, Your Honor, we do not.

Senator ROTH. If necessary, to get the same revenue, would you then be willing to pay a higher tax than the 5 cents in preference to the compromise?

Mr. MORGAN. Yes, sir. As you noticed, I said an "adjustable tax." Whatever it takes.

Senator ROTH. Whatever it takes, you would prefer to do it?

Mr. MORGAN. Yes, sir.

Senator ROTH. Thank you, Mr. Morgan.

Mr. MORGAN. Yes, sir.

Senator SYMMS. Let's see—James Johnston is next.

STATEMENT OF JAMES J. JOHNSTON, PRESIDENT, OWNER-OPERATORS INDEPENDENT DRIVERS ASSOCIATION OF AMERICA, OAK GROVE, MO

Mr. JOHNSTON. I first would like to stress that owner-operators at this time are in an extremely critical financial condition.

I have put together sort of a summary of cost of operation and average revenues generated by owner-operators that I would like to run by you. This is based on our estimate of an average of 100,000 miles per year operation per truck:

We estimate revenue generated to be in the neighborhood of 75 cents per mile. That would be all miles run, including empty miles, which are not revenue-generating. That comes to a total of $75,000 per year. With average truck payments somewhere in the neighborhood of $2,000 per month, that takes away from that $75,000 per year $24,000. We estimate fuel at 5 miles per gallon, and according to the Interstate Commerce Commission, the average price is now $1.26 per gallon. Based on the 100,000 mile per year operation, that is $25,200 taken away from the remaining $51,000. Insurance license and permits we estimate at approximately $500 per month; that comes to $6,000 a year taken away from the $25,800 remaining. That leaves a balance of $19,800.

These figures that I mentioned don't include miscellaneous repairs, at approximately $2,500 per year; maintenance on a truck at approximately $1,500 per year; tires, running in the neighborhood of $3,008 per year; loading and unloading costs for many owner-operators, somewhere in the neighborhood of $2,600 per year; living expenses on the road, and I would say $25 per day based on 200 days out of the year would be a very minimal estimate of what his living expenses would be, comes to another $5,000 per year. Subtracting all of this from the $19,800 per year, we have a balance remaining that he can spend in any way he wants to of $4,400 per year. This is on an investment of approximately $100,000 and untold numbers of hours of work.

I am not an expert on equity, not an expert on tax bases or who is paying their fair share and who is not paying their fair share. I am an expert on who is able to pay. And I can absolutely assure you at this point that the owner-operator trucker, who according to GAO's figures is going to bear the brunt of the tax increase, is certainly not able to pay. We estimate approximately 37 percent of the owner-operators who were in business in 1980 have since gone out of business. As you can see from the figures here, although they are averages, there are some operating at below that and some operating above it. They are on the sharp edge; they are about to fall off. And any kind of a tax increase at all is going to be critical.

We do favor, if we have to have one, the pay-as-you-go tax contained in the diesel differential. And I am not sure how owner-operators are going to pay that, to tell you the truth. All as we can do is hope that somehow rates will be adjusted to compensate for the increased costs, which they haven't been to date.

Senator SYMMS. Is that list of costs in your statement?

Mr. JOHNSTON. No, it's not, sir.

Senator SYMMS. All right. Well then, I'll get that from the record. I thought that was really interesting. But what was the total? You came to a $4,000 surplus.

Mr. JOHNSTON. We based that on 100,000 miles a year operation, which we find to be the average per owner-operator. We based it on 75 cents per mile, per running mile, and keep in mind that approximately 20 percent of his miles are empty miles which are not revenue miles.

Senator SYMMS. Well, if an owner-operator is buying a truck that costs $100,000, approximately—right?—and pays $2,000 a month, he will wear it out before he gets it paid for, won't he?

Mr. JOHNSTON. Well, they are set on 4-year notes with something like 19 percent interest in a lot of cases, so they don't have a lot of time to pay for that truck, but I think in 4, 5, or 6 years that truck should be replaced. That brings on an additional problem: Now owner-operators and others in the trucking industry are running trucks probably longer than they should.

Senator SYMMS. Well, let me ask you a question. With respect to the nonregulated commodities, particularly. There has always been a lot of cut-throat competition as far as whoever has the sharpest pencil gets the load, and so forth.

If you had a diesel differential, do you believe that it would simplify some of the accounting for some of the owner-operators, so that there might be less? Your colleague who just left made the comment that everybody wasn't paying their use tax. If nothing is done with this tax, let's say we don't do anything, it's going to go to $1,600 and then ultimately to $1,900. If they don't pay that tax, of course they won't have that cost, and then the Treasury won't get the money for the trust fund. But with respect to the accounting procedures, are your owner-operators, a lot of them, just a guy who has two or three trucks and may be driving one himself or has just one truck?

Mr. JOHNSTON. The majority of our members are one-truck operators. Some of them do have two or three trucks. Naturally, a tax that would be added on at the pumps and that he would simply pay for when he is buying his fuel would be by far the simplest means for him to pay a tax.

Senator SYMMS. In other words, if he is getting ready to haul a load of oranges from, say, Florida to New York City, it would be simpler for him to know whether he could take that truck and do it for $1,000 or $1,100 or $1,200, to figure it out? Do you think that sometimes they are not bidding the price too cheap in the first place?

Mr. JOHNSTON. The problem that we have is that they seldom have the opportunity to set their rates. You mentioned cut-throat competition in the exempt area, we are finding the same thing if not worse in the regulated area.

In the exempt area, the owner-operator seldom has the opportunity to set rates, because they are set between the broker and the shipper, based on the number of trucks available. We are now finding the same thing in the regulated area, where trucking companies have expanded their authority, new companies have come into the business, and they are using strictly owner-operators. And in order to maintain or increase their market share, they are cutting rates below reasonable costs of operation. This is why the owner-operator is in the severe predicament he is in now.

Senator SYMMS. Well, the people I talk to in my State that are owner-operators or independent truckers that are hauling mostly unregulated commodities, they say they are having a very hard time just under the current law. If it went into effect, they would need to charge say another $50-75 to haul a load of potatoes say from the Idaho Falls area to Los Angeles. And they are having a hard time doing that because there simply are more trucks available.

What I am trying to get at is, I wonder how many truckers don't know how much their costs are. You had a pretty good set of figures there. Are your members pretty well aware that their costs are that high? Or are they just running till they go broke, and then leave the truck alongside of the road?

Mr. JOHNSTON. I think most are. I think the biggest problem we see among owner-operators is, they have difficulty figuring in cost items that they should. They should make a return on their investment. You know, a lot of them figure that if they've got a few bucks left over after the trip, they made money, and meanwhile that engine is ready to go.

Senator SYMMS. Right.

Thank you.

Mike Parkhurst?

[Mr. Johnston's prepared statement follows:]

PREPARED STATEMENT OF JIM JOHNSTON, PRESIDENT, OWNER-OPERATORS INDEPENDENT DRIVERS ASSOCIATION OF AMERICA

Mr. Chairman, Members of the Committee, my name is Jim Johnston. I am President of the Owner-Operators Independent Drivers Association of America. O.O.I.D.A. is an association of owner-operator truckers (the small businessmen and women of the trucking industry) with approximately five thousand members spread throughout forty-eight states. In addition, we represent affiliated groups in Delaware, Pennsylvania, Michigan, Alabama, Colorado, Montana, South Dakota and Minnesota. I appreciate very much the opportunity to present their views on this important issue.

Several important facts make this subject especially critical to owner-operator truckers.

#1 As small businesses they are, by nature, far more apt to be negatively impacted by drastic changes or increases in the tax structure, especially a large lump sum such as the Federal Highway Use Tax.

#2 Because of the structure of the industry and the environment in which they operate, they have very little, if any, influence on the transportation charges they haul for, and therefore have almost no ability to pass on their increased costs.

#3 Although most businesses have suffered recently under poor economic conditions, the impact on owner-operator truckers has been greatly magnified by the additional burden of uncontrolled and predatory competition among those who he must lease to in order to operate his business. Contrary to popular belief, this has not resulted from more trucks chasing less freight, it has resulted from more trucking companies or companies with expanded operating authority seeking to increase or maintain market share.

ECONOMIC CONDITION OF OWNER-OPERATORS (ABILITY TO PAY)

In fact, at this time the economic situation for owner-operators is critical. We estimate as many as 37 percent of those who were in business in 1980 have either dropped out because it simply was not profitable to continue operating, or have gone bankrupt. Some of those, of course, have been replaced by new operators, but those new entrants are on very shaky ground because of under funding and minimal experience. Even more alarming to us is the fact that the upper 50% of this group, the people who would normally be the stabilizing influence with a great deal of experience and know how are at this time walking a tight rope where any sudden increase in cost could push them off into business failure.

Although all of this may not seem relevant to the subject at hand, I am convinced it is extremely relevant. Certainly our government would not intentionally implement a tax which would force thousands more small businesses out of business. The effects, of course, would be no less severe if the tax were implemented because of a lack of awareness or understanding of the critical situation.

AN ACCEPTABLE ALTERNATIVE TO THE HEAVY TRUCK TAX

If we must be subjected to increased federal taxes, and it is apparent that we must, the only equitable and by far the least disruptive tax increase is, without question, the pay-as-you-go Diesel Differential such as that contained in S.1475 and H.R. 2124 with total elimination of the Federal Highway Use Tax.

Although it will even be difficult to pass on this increase under present conditions, because it is a pay-as-you-go tax, the possibility to recover its cost will be far greater than it would be to recover from the sudden and dramatic impact of a huge lump sum tax such as the Federal Highway Use Tax.

As to the amount of the diesel tax increase, there seems to be a great deal of concern as to what point is reached before tax avoidance becomes a problem. I would think a far greater concern would be at what point will a substantial diversion of traffic occur. If trucks are taxed out of the market and the traffic is substantially diverted to the rails, then how could our extensive and essential highway network be maintained? More and more taxes would have to be heaped upon fewer and fewer tax payers which would literally become a dead end road with traffic diversion increased as the taxes go up. I suppose one positive result would be that the argument over the damage caused by truckers as opposed to that caused by weather conditions would finally be resolved.

The use of home heating oil, often referred to as a likely method of tax avoidance, is to truckers not an acceptable fuel to use in an engine that can cost as much as 18 to 20 thousand dollars to replace and as much as 6 or 8 thousand dollars to overhaul. In fact, there is even a great deal of concern these days over the quality of diesel fuel refined for use in trucks. The attached article from Land*Line Magazine details some of these concerns. Truckers would certainly not gamble on the use of even poorer quality fuel and if they did, they would very likely lose.

In addition, the use of the quantities required would certainly require collusion on the part of the fuel distributor. For the over-the-road long-haul type of operations most common among owner-operators, it would be impossible for him to carry with him enough fuel to make such a scheme pay off even if he did wish to take the gamble and could find a dishonest distributor to work with him.

UNACCEPTABLE OR UNWORKABLE ALTERNATIVES

FEDERAL HIGHWAY USE TAX. Even with the ability to pay the F.H.U. Tax on a quarterly basis, the substantial lump sum payment would be devastating to owner-operator truckers for all of the reasons previously mentioned. Most are even experiencing difficulty paying the present two hundred and forty dollars per year.

WEIGHT DISTANCE TAXES. Beyond a doubt, Weight Distance Taxes have to be the most ridiculous form of taxation ever conceived.

#1 It is incomprehensible to me how D.O.T. could on the one hand be pushing for total deregulation of the trucking industry, and on the other hand be seriously considering a tax, the enforcement of which would be totally impossible without the detailed monitoring system which could only be achieved in a strictly regulated atmosphere.

There are presently over 250,000 owner-operators. Somewhere in the neighborhood of 30,000 regulated trucking companies, nobody knows how many unregulated trucking companies, private carriers, co-ops and individually owned trucking operations. There is absolutely no way that these entities could ever be monitored even with total cooperation from the states. You would be amazed how much trucking is conducted on farm plates.

#2 The cost of compliance would be staggering for those capable of complying and next to impossible for most small operations. The incentive and opportunity for tax avoidance would be enormous.

EQUITY OF USER FEES. The owner-operator trucker is widely accepted as one of the most competitive forces within the trucking industry. He is involved mainly in the long-haul interstate truckload segment of the industry. While rates in the less than truckload segment have been increasing steadily since passage of the Motor Carrier Act of 1980, truckload rates already competitive and low in 1980 have, in most cases, dropped substantially. Profits, if they exist at all, are very marginal. There is no ability left to absorb any tax increase. All of these taxes will eventually have to be passed on to the consumer along with the cost of the business disruptions they cause.

For the trucking industry, large and small trucks included, the highways are our factory, they are the place where we work, make a living and, hopefully, make a profit. Equity would dictate that all users in this category pay equally for the benefit they gain from the use of the highway system, as well as the actual or theoretical damage they cause upon the system.

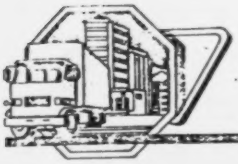
Under the taxing provisions implemented in the S.T.A.A. of 1982, the greatest burden will be placed upon those who receive the least benefit in the form of income or profit - the long-haul truckload owner-operator. Believe me with an investment in a four-year 19% interest note of seventy-five to one hundred thousand dollars, and annual gross revenues of eighty to one hundred thousand dollars and net earnings including profit of less than twenty thousand dollars a year, he is paying his fair share.

Just one last comment on the subject of equity. I have attached (the following page) an advertisement from a recent issue of "Go West Magazine". It is an advertisement from Volvo White Trucks for what they refer to as a Federal Excise Tax exempt truck. They didn't mention it, but this will also apparently be a Federal Highway Use Tax exempt truck and possibly even a Diesel Differential Tax exempt truck.

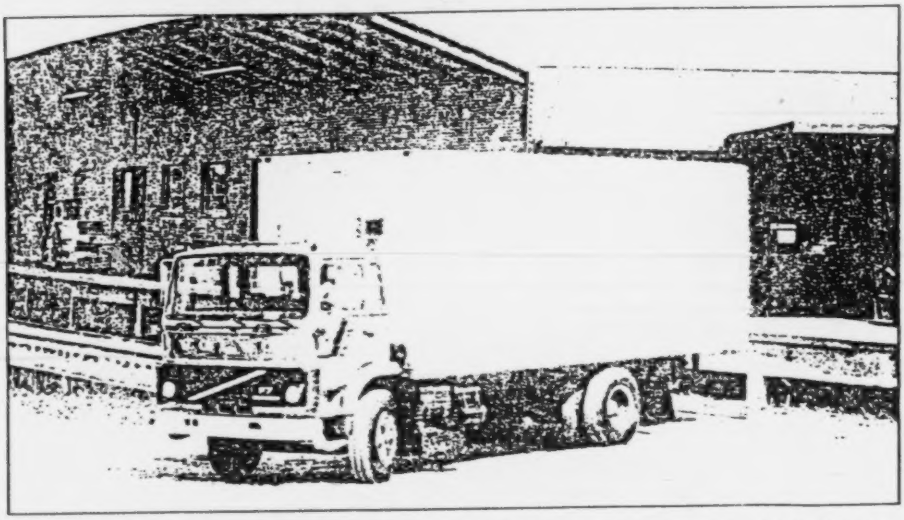
As you can see, this truck has two axles and is conveniently rated at 32,900 pounds. The front axle is rated at 12,000 pounds and the rear axle is rated at 20,900 pounds. It is easy to see that with the large capacity cargo box, it would be quite easy to load to capacity weight. It is also a widely accepted fact that axle loadings and axle spacing rather than gross weight are what cause pavement stress. You should also consider that this truck is capable of carrying almost half of the cargo normally carried in the heaviest class eight truck. In other words, two of these trucks are capable of carrying almost the same volume of freight as one big truck, probably generating more revenue, certainly causing at least as much damage to the highways because of more concentration of weight in a smaller area, probably adding to traffic congestion because two are required to do the same job as one big truck, and they are totally exempt from the taxes payed by the big trucks. Is this tax equity?

By the way, one more axle could be added to this truck very easily behind the rear axle which would increase its allowable gross weight to 46,000 pounds. At that point it would be capable of hauling approximately 60% of the maximum capacity now allowed on the big trucks and would still be exempt from most of the truck taxes. I don't think this is what the Congress had in mind when referring to equitable user taxes.

We are willing to share the burden of maintaining the highway system, but please don't tax us out of business while allowing a windfall to those who neither need, or deserve it.



FET Tax Exempt F7 Truck Introduced by Volvo White



AS ONE WAY OF SAVING taxes, Volvo White Truck Corporation has come up with a medium duty truck that combines heavy duty power and performance. It's called the Volvo F715 4 x 2 truck; rated at 32,900 lbs. GVW, it's designed for today's local and regional distribution operations.

New federal excise tax considerations, explained Steve Allen, Volvo's product marketing manager, have caused "buyers who once purchased or considered Class 8 vehicles (to take) a closer look at lighter GVW trucks that are exempt from FET." While the economy of switching from Class 8 to Class 7 may be beneficial, he noted, it is sometimes "at the expense of vehicle performance and durability."

The new F715, in fact, offers most of the same features of the Class 8 VOLVO F7 Low COE series – including maneuverability, fuel economy, and durability. Cab, chassis, and power components are basically the same as the F716, F717, and F725, although Volvo White has developed a lighter frame, rear axle, and suspension system.

Power starts with the VOLVO TD70F inline, 6-cylinder turbocharged and intercooled diesel engine that delivers 230 BHP at 2400 RPM and 605 LB/FT torque at 1400 RPM. A VOLVO R52 8-speed, range-type synchronized transmission is factory matched to the TD70F with a long wearing, 14-inch dual plate, power assisted clutch.

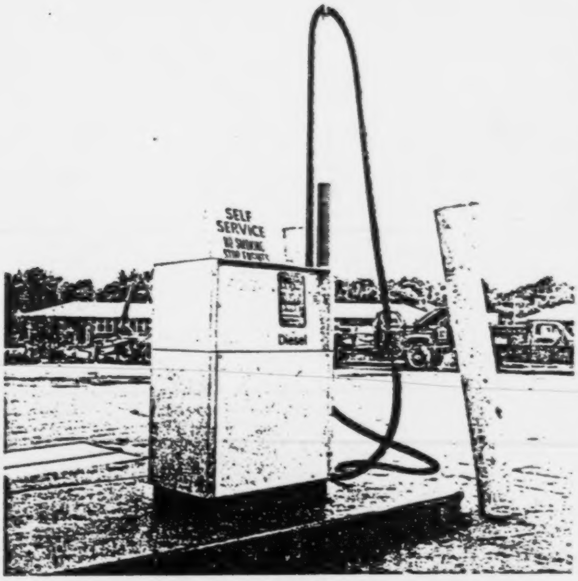
Rear axle is the VOLVO EV80, rated at 20,900 lbs. Ratio is 4.30. Rear suspension features long progressive main springs with auxiliaries providing superior ride.

Front axle is rated at 12,000 lbs. Front suspension incorporates long leaf springs with auxiliary over-load supports and double shock absorbers for driver comfort.

As with all VOLVO Trucks, the F715 is backed by a 24 month/100,000 mile warranty on basic engine components (100% parts and labor), and a 36 month/300,000 mile warranty on crankshaft and block (100%). The basic new truck warranty is 12 months or 50,000 miles (100% parts and labor).

For more information write 117 *on Reader Service Card.*

FUEL SULPHUR



YOUR DIESEL'S SILENT ENEMY

by Burt Mason

As our nation's owner-operators fight the good fight to hold "Fort Profit" against the invaders (fiendishly disguised as bureaucrats, fuel pumps, scales, recessions, etc.) a modern day Trojan Horse endangers the battlements. This new foe has a secretive name, H^2SO^3, is unseen, yet like the Horse, is in plain sight. You handle it every trip. Attacking all internal parts of your engine, this Nemesis can cut down a machine in its prime, often driving the owner to the financial cliff, where it's a short drop to the rocks of Chapter Eleven.

About the Author: Burt Mason is a consultant in engine and machinery wear trouble-shooting, setting up maintenance programs involving laboratory analysis and diagnosing analysis reports of new and used lubricating oils/greases and fuel oil. He has been working with sulphur in fuels for over three years. This includes an ongoing field test program, now in its second year. For the past three years he has been involved in an intensive program to evaluate and compare synthetic and petroleum lubricants, as well as a full-bore study of sulphur problems in fuel and the means to overcome them. Mason has 25 years experience in land/marine diesels to 7500 hp.

Commonly called Sulphurous Acid, H^2SO^3 is formed when the sulphur which is in almost all fuel oil is exposed to oxygen and temperature in the combustion chamber. This environment changes the Sulphur to Sulphur Dioxide. The dioxide comes into contact with water formed as the fuel is burned. Sulphur Dioxide feeds on water to produce Sulphurous Acid, and the acid feeds on everything in sight. When Sulphur is burned with air in the presence of water above 212° F, in an environment containing oxides of nitrogen, Sulphuric Acid (H^2SO^4) is formed. Sulphuric Acid doesn't just feed on metal, it gulps it down. Both types of acid are formed in your engine.

Sulphur is a very common element. It is important to our way of life and performs many worthwhile tasks. For instance, many antibiotics contain Sulphur. However, when it turns against us, it does so with a vengeance. For example, when it gets into the combustion chamber of a diesel engine it is transformed into burning acids, slicing off layers of metal in rings, pistons, cylinder walls, valves, stems and exhaust systems. As if that isn't enough, this metal-eater gets into the lube oil, by being picked up from the cylinder walls by the oil rings on the down-stroke. In the lower end these acids quickly weaken the additive package in the oil, then go to work on main bearings, cranks, wrist pins, valve guides, cams, lube oil pump, etc.

Engine manufacturers long ago understood Sulphur was a necessary consideration in power plant design. They looked at the fuels common to the American market at the time, commissioned studies, and developed metallurgy standards whereby the materials in the engine could take Sulphur concentrations of up to .5%, while providing a satisfactory, engine lifespan. Historically, almost all American light-grade fuel oil has contained less than this limit.

Because of the complex nature of refining, storage and distribution any tank of fuel could be high sulphur

Continental Official Says Watch What You Buy!

In a recent speech given before the American Truck Stop Operators Association, William Buchanan, of Continental Petroleum and Energy Company, outlined potential problems and solutions to lessen the chance of harming engines because of poor quality fuel.

Buchanan said buyers should ideally get diesel fuel rated at 45 to 47 cetane, which is to diesel what octane is to gasoline. Any fuel below 45 cetane may clog your injectors or fuel filters.

Only 10% of fleet operators insist that bulk diesel fuel suppliers give them amber or yellow fuel, and stipulate cetane level be checked and noted on every invoice. Bulk fuel suppliers will get the same quality of product from all suppliers 80% of the time, but every major oil company will slide a bad load of oil on you at one time or another, Buchanan said.

To protect yourself, reject any fuel that looks dark. Look for a nice pretty amber or yellow product that foams.

Buchanan predicted that diesel fuel prices should rise with increased demand. He predicted that by 1990 half of America's vehicles will burn diesel fuel. As diesel fuel becomes the primary fuel of America's vehicles the price will stay consistently higher than other types of motor fuel.

Where does the Sulphur Come From?

There are several reasons why diesel operators are facing the Sulphur dilemma. None of them seem to be easy to rectify. They include:

(1) The low-Sulphur "sweet crude" once so common in the United States is in short supply.

(2) Much of our regular foreign oil supply contains relatively high concentrations of Sulphur. Some oil from below our border is very high in Sulphur content. Much Alaskan crude contains excessive Sulphur.

(3) Many refineries are not set up to treat high-Sulphur crudes. The cost of building equipment to remove Sulphur is extremely high.

(4) While some fuel and lube oil centrifuges and filters can remove water, solids, and a few even small amounts of acid, none can remove Sulphur.

(5) Spot loads of high-Sulphur fuel from scattered sources appear on the market on a regular basis. They are often delivered straight to the customer, or mixed with other fuel in storage.

Sulphur in Fuel Can be Detected "Only" by Laboratory Testing

Modern day high-speed diesels can handle only limited amounts of Sulphur. While some engine manufacturers are working on metallurgy to resist Sulphur, so far the results have not been earth-shattering. They are faced with the same problems their customers experience; how to keep the cost down. In today's world, a lot of engines are sold because of price alone. The only guys who buy quality over price are those who depend on the quality to cut their operating and maintenance costs, and/or who have enough up-front capital to afford it. Unfortunately, the best engine built can't stand up against increase in acid damage potential measured in hundreds of percents.

Because of the very complex nature of fuel refining, handling, storage and transportation, it is most difficult to monitor a given batch of crude from the well to the end user. Any tankful could be low Sulphur. Any could be high. You can't see the Sulphur in it. As far as a truck operator is concerned, for instance, he could pick up any number of loads of high-Sulphur fuel and run it through his engine without the slightest inkling of the damage potential. Catastrophe would show up one day, in lube-oil pump trouble, main or secondary bearing failure, exhaust valve cratering, or other expensive part failure far before normal MTBF. We have seen engines totally worn out after only 5,000 hours or approximately 150,000 miles. In all cases, these engines had excessive fuel consumption and far above average parts cost during their short lives. Many suppliers do not know just how much Sulphur might be in a given load they purchase. Ditto their distributor. Some, of course, have not experienced the problem to date. In any event, the only way they can be sure is to test the fuel on each delivery. By the time this is done, much of the load is usually gone.

Possibly the premier quandry is that Sulphur over .5% in diesel fuel is not yet a problem everywhere, or every day. It therefore receives little more than lip service. This leaves the operator all alone with his Horse, playing "Fuel Roulette" with his economic future.

So What's the Problem?

The problem, gentle reader, is that diesel fuel available to American operators today sometimes contains as much as 1.0% Sulphur. We have seen it as high as 1.5%. That doesn't seem like such a big deal, does it? But that additional increase loads up your Trojan Horse. When you do double the amount of Sulphur you increase the *damage potential by many hundreds of percents.*

It's this massive jump in acid power released from a small increase in Sulphur by volume in the fuel which can turn a beautifully built and otherwise carefully maintained engine into scrap long before the mortgage is paid off.

Smuggled Pemex Crude Trouble for U.S Consumers

Mexican crude oil is being smuggled into the U.S. all along the Texas-Mexican border and is finding its way into bulk tanks at truckstops and fuel tanks of many truck operators that run in Texas, frustrating customs officials and possibly shortening the expected life of the engines that burn it.

The Mexican government subsidized the price of fuel so it could be purchased south of the border for 37¢ per gallon. With U.S. prices for fuel at $1, plus, the profit potential is high enough that virtually any vehicle entering the U.S. from Mexico could be smuggling fuel.

The danger for American consumers from Pemex diesel is that it is not as well refined and sulphur content exceeds the U.S. standard of 0.5%. Pemex diesel may run as high as 1.2%. In addition to high sulphur levels, the Mexican crude is also high in paraffin; as much as twice as high as U.S. standards.

Pemex diesel is from a mix of Maya and Isthmus crude. It smells bad, looks dark, and does not pour or foam nearly as easily as U.S. diesel.

Generally, those involved in specifications for engine warranty and maintenance requirements suggest oil-change intervals *ten times shorter* when the Sulphur content of fuel rises from one-half percent to just one percent of volume. For instance, if you have been running with .5% Sulphur on a 12,500 mile drain schedule, you should drain at only 1,250 miles with 1% Sulphur fuel. And what about 2% sulphur? You would be changing oil every six blocks! This kind of drastic measure points up the obvious recognition of the importance of the problem. Unfortunately, the short drain interval solution is quite costly, both in money and down time.

Long ago it was discovered almost everything was either acid or alkaline (caustic). Everything else was neither (neutral). Modern day chemistry signifies the multiple-power potential of acids with a special method of measurement. A graph was devised called the Ph scale. From zero to 7 represents Acidity; from 7 to 14 Alkalinity. In addition, to keep the scale within bounds, each change of *one digit* was made to represent a *tenfold* change in power. (A fluid with a Ph of 5 is ten times more acid than one with Ph of 6.)

Another system measures what is known as Total Base Number (TBN). Starting at zero, numbers were assigned to the ability of a solution to resist acidity. Each number represents a *tenfold* better resistance to a given amount of acid.

What Can be Done to Stay Ahead of this Problem?

Luckily, there are a few tools available to keep acid damage at bay. Remember, a while back, we mentioned TBN. Today most lube oil manufacturers include in their additive packages (all high-quality engine oils contain additives) various compounds to increase TBN.

A high TBN lube oil has the power to neutralize more acid than an oil with a lower number. (A TBN of 9 can fight acid ten times as strong as a fluid with a TBN of 8.) Not long ago, a TBN 6 or TBN 7 was about the maximum available. Today there are engine oils with TBN of 30 in the United States. There are well over sixty grades of engine oil available with TBN's of 12 or better, many in the 15 to 20 range. When you remember *the power of acid increases 1000% between each Ph number*, you can believe we better start guarding the door. High TBN lube oils, which tend to slow the loss of Ph, are not the total answer; but they do help.

You can ask your oil supplier about the TBN of the lube oil you are now buying and what else is available. Be sure the oil has the SAE rating (SE, SF, CC and/or CD) required by your equipment. High TBN oil may be more expensive, so you should get a handle on your particular needs and make a decision about whether to go to extended oil drain intervals. Just remember, when you do run into high Sulpbur, *anything* you do to help will save you many bucks in the long run.

Ask your fuel dealer about the Sulphur content of his product. Some fuel stops are running samples through a laboratory on an occasional basis. Some distributors and jobbers are procuring documentation on bulk lots they receive. Any information of this nature is valuable. Just be sure it's accurate.

Will Analysis Help?

A very effective measure to give you maximum information for the most cost-effective protection is to send your own used lube oil sample to an independent laboratory. Several labs will provide data on acid condition and/or TBN at very reasonable cost (about $10 to

$20, depending on type of test). These tests can include the rate of metal wear from your engine parts, additive package condition, and much more. They can be used to extend engine oil drain periods (when all is well), thereby saving a neat bundle, and can give you a money-saving guide as to whether or not you have any problems, including the Sulphur bug-a-boo. If your engine oil has a tendency to quickly go acid or to lose the additive package, you can presume the top end is taking a beating too. If you find you are running into such a condition you can try a high TBN engine oil, and monitor the results on a regular basis.

Incidentally, at least one major engine manufacturer permits extended oil-drain periods under warranty if laboratory analysis is used regularly. This is a most worthwhile program, and a sure cost-saver in a number of ways. In this instance, a well-spent buck is about ten bucks saved.

Another way to keep the Horse from stomping on you is to use a fuel additive which can inhibit the effects of Sulphur. This is a complicated technology, but there is at least one top-flight lubricants house marketing a proven "Sulphur Stopper" fuel additive at reasonable cost. Others are working on several approaches to the problem and some of these may now be on the market.

A consistent program of this sort can be very cost-effective. For 1% Sulphur, the treatment we have tested costs about 2¢ per gallon of fuel; for .5% Sulphur only ½ cent per gallon. It will stop most of the effects of the acid produced in the combustion chamber. This naturally includes the small amounts produced from low-Sulphur fuels, thereby lengthening the life of *any* engine, using any fuel, by thousands of miles. In addition, the brand with which we are familiar also stops algae, prevents rust, reduces wax formations, protects against water and generally keeps the fuel system clean. In all probability, many of the anti-Sulphur treatments we will see in the future will offer such multiple advantages. This technology is worth keeping up on.

All in all, these days the money-making owner-operator is the fellow who either knows exactly what is in the fuel he's buying, or who covers all the possibilities with high TBN engine oil, a proper anti-Sulphur additive, and a good fuel/lube oil laboratory analysis program.

Let's face it. The day is gone when you can simply say, "Fill her up and throw in a gallon of the cheap oil." The successful operator of the future will be the one who knows all day, every day, what's going on down where the metal moves.

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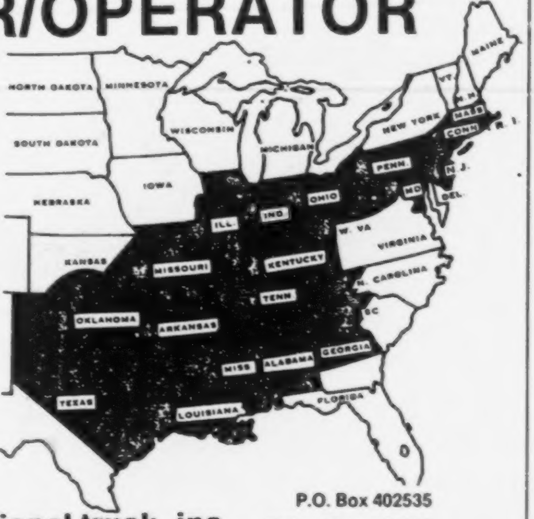

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STATEMENT OF MIKE PARKHURST, PRESIDENT, INDEPENDENT TRUCKERS ASSOCIATION, AND EDITOR-PUBLISHER, OVERDRIVE MAGAZINE, LOS ANGELES, CA

Mr. **Parkhurst**. For the record, Mr. Chairman, members of the committee, my name is Mike Parkhurst, president, Independent Truckers Association; editor-publisher, Overdrive magazine.

I want to preface my remarks by thanking the committee for its hospitality in allowing a Raiders fan to come into Washington and leave unscathed. Of course, I realize I haven't left the room yet.

The Chairman. Right. [Laughter.]

Senator **Symms**. Mike, you want to remember, if you want to know what's wrong with the way the Government operates, Washington, DC, is the town that gave three and a half points and took the Redskins. [Laughter.]

Mr. **Parkhurst**. Well, of course if you want to talk about where the Redskins came from, which was Pottstown, PA, back in 1925, I believe they are fighting the championship or for it.

But another kind of fight that I'm sure everyone is concerned with is fairness, and we have heard a lot about equity and fairness. I would just like to remind the committee that the Surface Transportation Assistance Act of 1982 passed a tax on the trucking industry that was 10 times the amount of all of the profits of the entire regulated common carriers for the previous 3 or perhaps 4 years. That's a kind of heavy tax, even for the much-burdened truckers.

I am also concerned about the assumptions that were made by the previous DOT administration, which assumed that the heavy trucks were not paying their fair share. And I'm afraid that those assumptions were developed in a fetus, the father of which we are not aware of yet.

What I am saying is that there was a study made that the American Trucking Associations endorsed and which was done by a very reputable engineering company, from Maryland, which proved that the heavy trucks did pay their fair share. But, for reasons of their own, the Department of Transportation decided to toss out that study, and they used figures from another study.

And inasmuch as Ray Barnhart, the Administrator of the Federal Highway Administration, made what I'm sure was a slip of the tongue but what was a rehearsed statement nevertheless, on National Public Radio 1 year and 5 days ago, he said that the increase in tax was only 1 percent of the gross revenue of the trucking industry. I believe that if Mr. Barnhart would sharpen his pencil and in turn some of those economists over there at FHA, perhaps they would find that 1 percent was not the correct figure.

I also would like to quarrel, gently of course, with the Department of Transportation's assumption that the highway use tax is the biggest tax; it is not. The biggest tax contained in that whole tax package is the excise tax, because a 12-percent excise tax on the sale of new trucks and trailers amounts to, for an $80,000 tractor as an example, $9,600 to Uncle Sam. That comes out to $2,400 a year, not including the interest. The excise tax on the sale of new trucks and trailers, which the railroads were exempted from as long as those trailers go on the rails, as they have been exempted from the tax on diesel fuel—which, if the Government wants to talk about equity and revenue-neutral I think we should perhaps discuss, because of the railroad crossings that are paid for by the highway users; so if the railroads were to pay some tax, finally, at long last, perhaps we could raise a few hundred million dollars there. Or perhaps the exemptions for the railroads that were contained in STAA should be eliminated.

But in any case, in my prepared testimony, which I would like permission to have an addendum added to and send it to the committee, I think I touched on some of those items. But the excise tax that has not really been talked about today is the biggest tax.

Also, one final thing: In the chart that the Department of Transportation submitted, they claimed that the cost responsibility for trucks weighing between 70- and 75,000 pounds—not 69,999 pounds but 70,000 exactly—was 5.49 cents per mile in 1985, a year away.

Well, I submit to the committee that most trucks grossing between 70- and 75,000 pounds are now paying more than 5.49 cents a mile in all of the Federal taxes, and I also would like to remind the committee of the extreme and often neglected layer of taxes put on by the States, which, in the middle of December 1982, Ray Barnhart said he knew about when we discussed with him the fact that, if that tax passed, it would stimulate the States to raise tremendously the State taxes, which are a bigger burden on the trucking industry, such as Pennsylvania's recent axle tax of $36 an axle. It goes on and on and on, and in the past year and a half about 15 States have raised their State fees from 30 to 1,000 percent—30 to 1,000 percent. The States are raising their taxes and are retaliating against one another, using as the go-between the trucking industry. Because of the Pennsylvania tax, for instance, New Jersey and eight other States have passed or are in the process of passing retaliatory taxes on trucks coming out of Pennsylvania. Oh, that's very nice; they are punishing Pennsylvania? No. They are punishing the truckers from Pennsylvania.

So, inasmuch as the Federal Government in its wisdom has decided to put under its umbrella the speed limit, which Ray Barnhart also said is a stinking law, inasmuch as Ray Barnhart is the Federal Highway Administrator I would like perhaps the Administration to really consider once again the productivity of the trucking industry, which the Department of Agriculture said, in a report, is "curtailed by 38 percent due to the speed limit."

But the excise tax is the biggest tax of all. It is bigger than the highway use tax, which is not a user tax, and it must be addressed.

Why? Because of the—and I hate to use this word—"infrastructure" of the trucking manufacturing industry, which has been in not a recession but a depression. Only recently have we seen some coming-out of that, because of the total economy getting better.

But if the truck industry, the manufacturing industry, can produce more revenue by excise taxes, the only way they can do that is to sell more trucks. I would like to point out, of course, that many manufacturers cut down their production by 50 percent or more last year.

Senator SYMMS. How much did you say that excise tax is on a truck?

Mr. PARKHURST. The current excise tax is now 12 percent on the retail price. And in its wisdom, the Congress had already passed a law that phased out that excise tax; but the Congress, in its wisdom, decided to apply mouth-to-mouth resuscitation to that dead law and give it new life, and it is now 12 percent—except, of course, if you are a railroad and are buying a piggyback trailer which can also go on the rail; then you don't have to pay any tax at all.

Senator SYMMS. That's a road-railer?

Mr. PARKHURST. Yes. But they have many other tax exemptions, as I am sure you know, Senator.

Senator SYMMS. Well, they do pay an excise tax on a piggyback, I believe.

Mr. PARKHURST. Yes. But if they put little wheels on it, they don't have to. So they can conveniently do that, and the language is so mealy-mouthed in what describes what is a trailer that can run on the rail, that you could go out here and glue some roller-skates onto some of these trailers and say, "That's going to go on the rail," and not pay an excise tax.

Senator SYMMS. Thank you very much.

[Mr. Parkhurst's prepared statement follows:]

PREPARED STATEMENT OF MIKE PARKHURST, PRESIDENT, INDEPENDENT TRUCKERS ASSOCIATION; EDITOR-PUBLISHER, OVERDRIVE

ALTERNATIVES TO REVENUE COLLECTION FROM THE TRUCKING INDUSTRY AS OUTLINED IN THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

The trucking industry is not fond of citing profit figures for the years 1980, 1981 or 1982.

Yet, with virtually no public discussion and no media understanding whatsoever, the 97th Congress of the United States passed a tax on the trucking industry that was ten times the amount of all the profits of all the nation's regulated, common carrier trucking companies for the combined years of 1980, 1981 and 1982.

I have done some research into the profits of other industries such as the film industry, the manufacturing industry and the food industry, and I can dig up no evidence whatsoever to find that any other industry has ever been taxed ten times the total profits of any three year period.

The former Secretary of Transportation, Drew Lewis, helped to ramrod this legislation through a Congress that, for the most part never had the opportunity to read, let alone study the legislation that was passed during the famous lame duck session of Congress, and signed into law by President Reagan on January 6, 1983.

Fortunately, there are a lot of Representatives in the House and Senators in the Senate who, in the 98th Congress, realized that the Surface Transportation Assistance Act of 1982 contained a lot of unfairness. That is too kind a word. Instead, I should have quoted the Administrator of the Federal Highway Administration who said that he knew there was a lot of "garbage" in the bill.

I am particularly pleased to recall those words of the

Administrator, for they were accurate, far more accurate, in fact, than some of the conclusions that were made by the DOT to justify the huge tax increases.

It is difficult for the layman to understand taxes or tax rates that exceed the profitability of an entire industry, but I suppose it is not difficult for those in government to understand what operating in the red is since the government operates in the red, year after year, congress after congress, administration after administration, promise after promise.

Rather than discuss deeply some of the many false conclusions that became building blocks of the STAA, I would like to try and mention some logic, logic that is sadly lacking not only in the STAA, but in a recent conclusion by the Department of Transportation which, I should add, seems more concerned about fairness than when Drew Lewis was at the helm.

Let us take an example of one, typical two-axle rental truck, for instance, that grosses 33,000 pounds.

The maximum legal loading under STAA provisions for the front axle would be 9,000 pounds. If that truck, therefore, could legally gross 33,000 pounds -- as the law says it can -- than that means it would have the rear axle loading of 24,000 pounds.

There are virtually no two axle trucks in the country except garbage trucks or heavy equipment trucks that maintain tires large enough to legally absorb a twelve ton weight limit. Certainly, no rental trucks in the nation do, and it is interesting that the tens of thousands of rental trucks -- which criss-cross the nation by the hour -- pay no highway use taxes and no excise taxes.

Additionally, the nation's large rental truck fleets pay virtually no state taxes whatsoever for the transportation of goods in interstate commerce.

Virtually anyone with a driver's license -- and I don't mean a truck driver's license, either -- can walk into the office of any of the nation's many truck rental fleets, drive away and haul -- legally or illegally -- highway freight going anywhere in the nation. The renting agent will not pay any excise taxes, no fuel license taxes, virtually no taxes at all except the fuel taxes that are collected at the pump.

Yet, legally, that same truck renter can drive 24 hours a day, keep no log book and he or she can arrive at his or her destination by hardly paying anything for the highways used.

Under the very complicated bridge formulas -- which virtually no one in the nation can understand completely without charts and a daisy field of asteriks growing at the bottom of the page -- a heavy truck with, say, five axles spread out over forty or fifty feet, is legally allowed to put less weight on the highway even with its big footprint tires, than a typical rental truck driven by a novice who conforms to no regulations except, presumably, traffic rules.

Just as most people would rather have Andre the Giant step on their feet if he were wearing shoes, rather than a 100 pound woman in high heels, so should the STAA take into consideration the tremendous difference in road damage done by a fifty or sixty foot truck with four or five axles, and a twenty-foot straight truck with neither an air suspension or big tires. Many of the typical rental trucks, in fact, have a tire "footprint" less than half that of a typical over-the-road tractor trailer.

In its zeal to raise taxes, the STAA also neglected the safety aspect contained in the inherent differences between what I call real trucks and the typical rental truck. Today's over-the-road rigs have much better brakes and much better suspension systems. In fact, most rental trucks or typical "straight jobs" as they are usually called in the industry, have a spring system that has been around more more than sixty years.

And when empty straight trucks with leaf spring suspensions bounce up and down on rough roads, they can do a lot more damage to a roadbed, in my opinion, than an air-suspended trailer stretched out over a far longer surface.

If the STAA were a human being instead of a piece of legislation, I would like to ask him -- or her -- the following questions:

(1) Why did you exempt over-the-road busses that can weigh 35,000 pounds or more, busses which usually contain freight in their bellies, and which usually have only two axles? Why are they exempted from the excise tax? The busses make more profit from the road than do trucks, and their axle loadings are equal to and sometimes exceed trucks.

(2) Why were the railroads exempted from paying excise taxes on new trailers merely if those trailers are able to travel on the rails?

(3) Who determined the 33,000# figure, or any other figure to classify tax rates?

(4) Was there any correlation at all to the fact that United Parcel Service winked and smiled at you . . .

when the majority of its trucks would fall under the tax exemption privileges of the very financial bones in your body?

(5) If you were so concerned with "fairness" and "equity" why did you not suggest, even, that the railroads pay a transportation tax on the fuel they consume, fuel which is used by all railroads who enjoy many tax-exempt features, and who will also benefit eventually by lower insurance premiums as the highway taxpayers of the nation upgrade unsafe railroad crossings?

I could spend a dozen or a hundred pages dissecting not only the STAA, but also some of the recent conclusions offered by some at the DOT, but I think perhaps that would deviate from the recent message of the Congress of the United States, at least in the House of Representatives. And that message is clearly that there was, as Ray Barnhart said more succinctly, a lot of unfairness in the STAA. To wit: the introduction of H.R. 2124 by Congressman Bill Frenzel of Minnesota, on March 26, 1983.

That legislation, which I know the Committee is aware of, has, in essence, said that not only was the increase in the Highway Use Tax unfair, it was unfair to begin with, and that legislation would, in turn, substitute a graduated "diesel differential" formula more closely tied to true user responsibility.

In fact, as of last count, H.R. 2124 had 234 members of the House as official co-sponsors, which means that the majority plus sixteen members have said that the Highway Use Tax increases contained in the STAA are unfair, and should be eliminated completely. We agree. The Highway Use Tax was never a user tax to begin with! For if a truck runs one mile or one hundred thousand miles, it was supposed to pay the exact, same rate. Presumably, a truck traveling a hundred thousand miles a year does more damage to the highway than a truck traveling one mile, and we admit that. Yet even with the current mandate of STAA, the unfair and un-use "User" tax develops increased inherent hypocrisy since the rate is scheduled to climb from $240 annually to $1,900.

The trucking industry was told that it should be happy with the fact that one of the proposed tax rates tied to the so-called "User" tax was a lot higher than $1,900. That is like slapping a child across the face and telling it to be happy that it wasn't a beating.

The diesel differential bill as proposed and supported by Representative Bill Frenzel and the majority of the House, respectively, is the closest thing to a true user tax, and certainly would be a lot easier to enforce on foreign trucks entering this country, since the invisible tax collector is the fuel pump, and it takes virtually no more labor to collect an extra nickel, as fuel outlets already collect state and federal taxes, anyway.

I understand that a truck stop association does not support the diesel differential bill or concept, since truck stop operators don't want to become tax collectors for Uncle Sam, but for that argument, we would only say that truck stop operators and all fuel outlets at the retail level are already tax collectors for Uncle Sam. And, as noted, it takes no more labor to punch a "9" than a "4," etc.And I have not heard of any proposed legislation by any truck stop operators association that would eliminate the collection of federal or state taxes at the pump. Until this diesel differential tax legislation was introduced, I did not hear of any real objection by any truck stop operators' association to the collection of taxes for the government, other than those free enterprise members who object on basic principles.

Therefore, fencing with the DOT over "revenue neutral" proposals is merely a mute exercise: the Congress has already said, in the House, as of this date, that the Highway Use Tax is unfair and should be done away with completely. I am repeating this statement because I think it bears repeating and needs remembering.

As of this date 27 Senators agree, and I am sure that when more Senators ease down into their 1984 saddles and see the fairness to the industry, they, too, will spur themselves down the path of fairness and pass S. 1475, introduced by Senator Malcolm Wallop.

The current tax levels as outlined by STAA are way too high.

In fact, several years ago, the Excise Tax was determined by the Congress to be unfair to the trucking industry and it, too, was scheduled to be phased out. But the STAA not only put its mouth to the dying excise tax but. in a burst of holiday passion, resuscitated the patient, and, like Dr. Frankenstein, gave it new life and more power. Unfortunately, the power to destroy truckers and, perhaps even worse, pass yet another unfair tax in the process.

The fact that the 98th Congress has, in the majority, supported elimination of the Highway Use Tax, is italicized by the statement by the Chairman of the Committee on Ways and Means, Representative Dan Rostenkowski, who, on February 1, said, in part; "The Committee on Ways and Means has a long-standing commitment to reconsider the 1982 legislation which restructured the heavy vehicle use tax."

That commitment, if an accurate tracing of recent history is to be observed, goes back to yet another commitment by about three dozen concerned Congressmen who signed a letter of commitment on or shortly after February 10, 1983, in order to take a look at every single unfair tax contained in STAA.

That commitment of February 10, stimulated a lot of deeper analysis by the new Congress into many of the provisions contained in the STAA. And, without rolling up history's sleeves too high, I would respectfully remind the Committee that a lot of aggravation developed in the trucking industry in January and February, 1983 over the heavy taxes that had just recently been signed into law.

So I would hope that since the recent DOT "Alternatives To Tax On Use of Heavy Trucks" did not get mailed by the DOT until early February -- this very welcome hearing on February 9 should be considered as a cursory one inasmuch as many in the industry have not had a chance to read, let alone study the DOT charts and conclusions that run to 92 pages.

Rather than burden the Committee with 92 pages of rebuttal, at this time, I merely suggest that some interesting conclusions were drawn and published in that recent DOT study.

The first item that comes to mind is in a letter written by the Secretary of Transportation, Elizabeth Hanford Dole on January 25, 1984, to the Chairman of the Committee on Ways and Means, Representative Dan Rostenkowski.

(A copy of this letter is attached at the back of this testimony.)

That particular letter discusses variations of the current form of highway user taxes and touches on weight-distance alternatives. But nowhere in that January 25 letter is there a discussion of the biggest single tax of all -- the Excise Tax, which was part of the reason why truckers went on the rampage a year and ten days ago.

The Excise Tax is the biggest single tax in the trucking industry, yet it has gotten the least amount of discussion. Is that because those who want to collect more taxes on an already impoverished industry wish to hide or divert discussion? I would not think that anyone in the Congress would do that, of course, so I must assume it is an oversight, and, therefore, I welcome the opportunity to explain in detail why this onerous tax should be eliminated completely, not just reduced.

A previous Congress had, as noted, mandated that the Excise Tax on trucks be eliminated. There were many reasons for that but now, there are even more, because the trucking industry is suffering from a five-year recession, and the truck manufacturers, too, have suffered and continue to suffer from that recession, in spite of recent smiles on the assembly lines.

The truck manufacturing recession has hurt not just the thousands of manufacturing employees who were laid off, not just the profits of companies that are a big part of America's fast-fading manufacturing abilities, but also the viability of the entire industry. How many businessmen or holiday travelers would feel as comfortable on an airline if they knew the airline had to postpone, for three or four years, the replacement of equipment? Would not there be an uneasy feeling among the flying public? There should be.

But because the trucking industry is insultated from public socializing, the public does not see, and therefore, does not understand how older and older truck equipment impacts heavily -- eventually, anyway -- on the very viability of the industry.

A lot of headlines may have been written about longer and slightly wider trailers, but the facts are, only about 4,000 new "big" trailers have been purchased in the last year. That is about 4% of the total trailer population of the country. If the airline industry were in the same situation, replacement wise, would there be huge discussions about all the big planes if only 4% of the planes were replaced with "new, improved" models?

Additionally, as states' rights get handcuffed by complicated and unworkable DOT formulas for connecting highways and increased length and weight laws that have been fought tooth and nail, many executives in the trucking industry, and independent truckers in particular, have just laid in the bushes, twiddling their thumbs, waiting to see what the final results will be. Will state XX allow a certain size truck, or will it be held up? Will the Congress rescind some of the weight and length provisions of the STAA? These doubts are justified.

But, more to the point, the Excise Taxes are not user taxes.

Additionally, of course, the railroads -- once again -- benefitted from the STAA by having a tax exemption built in to the bill, a tax exemption on trailers that do use the highways and are frequently overloaded, as well, for once a piggyback hits the road for final delivery, it is frequently overweight and unsafe. Trailer tires for piggyback trailers are deliberately built cheaper, yet when they are on the highway are they not still as potentially dangerous, especially since piggyback trailers on the highways travel in the most congested and most accident-prone areas of the country, namely, the big cities,the heavy population centers? On top of that, those overloaded trailers are not subject to the constant inspections that regular highway trailers undergo when crossing state after state. And, finally, most piggyback trailers return the smallest revenue to the states because they traditionally are affixed with cheap trailer plates, commonly licensed in the state of Maine.

In checking with the Highway Patrols or State Police agencies in seven states, the Independent Truckers Association has determined that there is virtually no passion toward weighing trailers that are owned by or leased by the railroads. "They have a real good lobby" is the typical retort by Highway Patrolmen or State Police barracks representatives, when goaded to weigh heavily-overloaded trailers.

Surely, the Congress wanted to raise money through the STAA.

That being the case, why not simply do what one of the prime intents of the STAA wanted -- bring in the money!

No tractor earns a trucking company money when it is running empty, or when it is "bobtailing" which is the term used to describe a tractor disconnected from its trailer.

Only freight on a trailer or inside a truck can earn money.

Therefore, why not tax the trailers instead of the tractors?

There are about twice as many trailers in the country as there are tractors. The trailer is the revenue-producer. The tractor, in a sense, is only the pilot. An airline is taxed on the revenue it makes by hauling passengers. Its engines are not taxed on revolutions, yet that is what the tax system of the federal government and the states is mainly based on -- the revolutions of the engines, whether that is through a "User Tax" on the tractor or even the fuel tax.

To take logic -- or a revolutionary idea -- one step further, why not simply develop a simple formula for taxing all trucking companies . . . the same basic formula that the Congress thinks is fair for the rest of the country . . . a gross receipts tax.

This would be a far more fair method of collecting taxes and would also, therefore, be met with the most resistance, since there seems to be a built in bias in certain segments of the trucking industry -- most notably the regulated, common carriers -- against real fairness of taxation. In fact, that is why the state taxes, too, are mainly based on tractor ownership and not trailer ownership . . . because, in no small measure, the lobbyists of the large fleets have designed and implemented the tax structure so that the trailer owners have gotten off practically scott free. Traditionally, the independent trucker or "owner-operator" as he is sometimes called, has owned the tractor but not the trailer. Yet the company he is leased to gets a portion of the gross transportation revenue, usually from 15% to 50%. But with the tractor having to bear the entire cost of the Highway Use Tax,and a much larger portion of the Excise Tax, it is easy to see why the fleets (i.e., trailer owners) have liked the cozy relationship whereby the taxes have been paid by the tractor owner. Likewise, the state taxing agencies -- all of which are in violation of Article 1, Section 9 of the U.S. Constitution -- have also laid the heaviest burden on the owner of the tractor.

The DOT and some others that have not thoroughly researched the negatives is proposing some sort of weight distance tax.

It sounds good. A weight distance tax. Easy?

Not to those states that have tried to enforce it.

There are several states that have enacted weight distance taxes on the trucking industry in the past few years. Some states have that tax in effect, even though, as noted, all such taxes are in violation of Article 1, Section 9 of the United States

Constitution.

The states that have tried the weight-distance tax structure and abandoned it are: Alabama, Kansas, Minnesota, Utah, Georgia, Kentucky, Oklahoma, West Virginia, Iowa, Michigan, Tennessee and Wisconsin.

Even though some states like New York and Colorado still have a weight-distance tax, it should be clear that there must be something wrong if twelve states that did try it, also abandoned it.

At a meeting in early December, 1982 with the Administrator of the FHA, Ray Barnhart, former White House aide Bob Bonitati, Deputy Secretary of DOT Derrel Trent and the national Vice President of the Independent Truckers Association, Bill Scheffer, I noted that the proposed raise in taxes would stimulate the states to raise their taxes, as well, as the new, higher taxes would send a signal to them. Ray Barnhart said "I know."

Again, Mr. Barnhart was right, for during the past year or so many states have raised their fees to trucks in increments never, ever as low as the inflation rate.

In fact, many of the state fee increases during the past year have been as high as 1,000%.

One state, Pennsylvania, passed a $185 per five-axle truck fee on all trucks entering the state, even for a one mile trip into the state, even if that truck never again leaves its rubber footprint on Keystone state soil.

That started a state fee retaliatory war, and nine states have passed or are in the process of passing retaliatory fees on trucks with a base plate from Pennsylvania. How ironic -- and typical -- that other states would "punish" Pennsylvania by taxing trucks licensed in that state! In fact, the taxes are merely an example of more punishment on trucks, and the Pennsylvania tag is merely the excuse.

As noted previously, the dissemination of the 92 page DOT "Report to Congress" ("Alternatives To Tax On Use of Heavy Trucks") has only just recently been available, so I respectfully request the Committee to reserve judgement on that report until all interested parties have had a chance to completely analyze it . . . after they receive copies, that is.

But there are two or three items that need watching, such as in the introduction which contains an erroneous statement, "in its present form, the heavy truck use tax is a nationally uniform user charge."

Obviously, a tax not based on mileage or tonnage hauled or highways traveled on, cannot be a user tax, so, right off the bat in the introduction there is an error of basic understanding or definition of a "user" tax.

The real heart of the entire DOT "Report to Congress" seems to beat loudest when the author discusses the study and says, "the study focuses upon determining those tax methods that best satisfy the often conflicting considerations listed above, while retaining total highway revenues provided for in the STAA of 1982.

Therefore, the basic assumption and desire of the DOT is to continue to tax trucks on a level that is, as noted, higher than all the combined profits of all the regulated carriers for a three year period.

Yet, as also noted, H.R. 2124 says that is not fair, and a majority in the House agree.

The same report notes that inflation has spurred highway construction costs dramatically since 1956 -- by 300%, in fact.

But the majority of the highways in the nation were built, already, in 1956, and even by 1976, the majority of the Interstate System had been built, even if many segments were not, and even if many segments were not complete.

By the same token, thousands of miles of "Interstate" that were not constructed with "federal" money have been incorporated into the Interstate system . . .highways such as the Pennsylvania Turnpike, the Ohio Turnpike, the Indiana Tollway and even a turnpike in Virginia between Richmond and Petersburg has been annexed by the Interstate system. Likewise in Connecticut, Massachusetts, Oklahoma and others, turnpikes or toll roads that had other funding, are now contained in the mileage family of the Interstate System . . . roads costing billions of dollars that were financed and paid for for many years before, even, the were annexed. Wasn't the Interstate system supposed to be a toll free system of interconnecting highways?

A Class 9 truck traveling on the Interstate Highway in Pennsylvania that is also known as the Pennsylvania Turnpike charges about a dollar a mile. That means that a trucker could pay

$300 to the state of Pennsylvania to cross from New Jersey to Ohio, in order to travel on a highway that was not built by federal funds, but which is now considered part of the Interstate System.

Nothing has been done by either the states or the federal government to put any sort of lid on the cost of state license fees, the federal government claiming "states' rights," yet when it comes to aggravating highway insults like the 55 mph speed limit, which Federal Highway Administrator Ray Barnhart said "is a stinking law," the federal government says the states have no rights.

I would like to point out that the Interstate System would have to be built to the exact same standards as it is today if there were no trucks running at all . . . simply because part of the purpose of the Interstate system was to accommodate heavy military vehicles.

To now and try to lay the blame for most damage on heavy trucks is avoiding the truth. Certainly, heavy trucks cause damage to roads. So does a bicycle crossing on a hot asphalt pavement. Certainly, a Lear jet causes more damage to a runway than a Cessna 172, but if that runway has to be built to accommodate a 747 or C-130 Transport, why should the Lear jet owner be turned into the villain, since the runway had to be built to accommodate much heavier loads?

And there are many reports -- even by the DOT -- which prove that one of the biggest offenders (i.e., users) of overweight trucks are state and local highway vehicles.

Last, but hopefully not least, is the fact that the STAA gave virtually no benefits to the independent trucker or small fleet owner, because the allegedly mandated longer truck lengths or "doubles" provisions cannot be accommodated by the typical independent trucker. The "doubles" provisions were designed to placate the large, regulated carriers whose operations are frequently geared to twin trailers. The entire system of trucking has a built in infrastructure prejudiced against the independent trucker, especially the perishables foods haulers. Therefore, the larger trailer provisions could not be taken advantage of by 99% of the independents, and not by 96% of the large fleets, even, if new trailer sales are an accurate barometer. Yet the higher taxes were laid on the doorstep of the indepencent in equally heavy doses.

It is time the railroads were taxed on the fuel they burn. A 10¢ per gallon tax would bring in $300 million per year, and since the railroads enjoy many other tax advantages through STAA perhaps the "equity" that is tossed around so freely could apply to the railroads, too.

It is time that the same standards of "justice" are applied to taxation of the trucking industry -- a gross receipts tax for all for hire carriers and an equivalent tax for private carriers who would claim they had no gross receipts when hauling their own goods.

If not a gross receipts tax, then a federal trailer tax that would be revenue neutral would be the next fairest way to insure that the vehicle that hauled the freight paid the bill.

It should be noted that the vast majority of states already had allowed an 80,000 pound weight limit prior to passage of the STAA, so, in effect, three or four states were used as a blackmail letter to the trucking industry in order to pass a huge tax that virtually everone in the industry objected to, with the independent truckers, as usual, taking the lead in getting the attention of the root problem.

In Table III-3 in the DOT "Report to Congress," it is noted that the DOT believes that a combination truck weighing 70,000 to 75,000 pounds has a "Total Cost Responsibility" of 5.49 cents per mile.

With the 12% Excise Tax in place, and the increase in Highway Use Taxes and the Rubber taxes, etc., plus the already existing federal fuel taxes, not to mention the state taxes, the typical truck grossing 75,000 pounds already pays more than the nickel and a half a mile that the DOT says will be the cost responsibility in 1985.

Which means that even the DOT's study admits that many of the heavy classes of trucks must be overpaying now. And they are.

The higher taxes have now helped to spawn a new breed of "trucker," the "HOT SHOT" trucks which are small pickup trucks hooked to large trailers. Those pickup trucks, with inadequate brakes and stabilization, have been deliberately purchased to avoid many of the new, higher taxes. There is virtually no excise tax at all, no Highway Use Tax and precious little fuel tax . . . yet these new "HOT SHOT" trucks are hauling 35 and

40-foot trailers in interstate commerce, while their owners -- usually big fleets, of course -- thumb their noses at STAA.

Who will pay for this?

The schoolbus load of children as a "HOT SHOT" goes out of control because it has no brakes. The drivers, who will worry and wonder every time they battle a cross-wind.

And so it has come to pass that another high tax is becoming self-defeating . . . by putting more truckers out of business, by making some truckers find new ways to avoid the taxes altogether, and by having a tax that is neither fair nor rational.

Big trucks have big brakes. More brakes than busses, in fact.

But isn't it time to put the brakes on a tax that was not fully understood by a lame duck congress?

Apparently, the House of Representatives thinks so, because they have spoken, and I believe it is time for the Senate to speak after it has listened to the anguished cries of the industry we all like to take for granted.

Take the trucking industry for granted, please. That is a compliment, but please do not allow taxes to take the industry by the throat.

Mike Parkhurst, President
Independent Truckers Association
Editor-Publisher, Overdrive
7753 Densmore Avenue
Van Nuys, California 91406

(213) WE TRUCK

February 9, 1984

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

JAN 25 1984

JAN 25 1984

The Honorable Dan Rostenkowski
Chairman, Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is the "Report on Alternatives to Tax on Use of Heavy Trucks" in response to the mandate of Section 513(g) of the Surface Transportation Assistance Act of 1982 (STAA).

This report, prepared in consultation with the Department of the Treasury, is being delivered ahead of the required due date of January 1, 1985, so that Congress may review our findings prior to the July 1, 1984, scheduled increase in the use tax. The report reflects the most recent Treasury estimates of trust fund revenues based upon the Administration's economic forecasts.

The report considers alternatives that are variations of the current forms of highway user taxes. It also considers weight-distance alternatives that, while promising, require a longer lead time to develop the administrative procedures.

Our assessment of the alternatives is based on the following objectives:

- to maintain revenues, in total and by vehicle class, as enacted in the STAA,
- to improve ease of payment and equity within user classes, and
- to simplify administrative and enforcement requirements.

We believe that, in the event Congress determines to reconsider modifications to the highway use taxes enacted in the STAA, the revenue, equity and compliance implications of any alternative tax should be examined closely.

I look forward to working closely with you over the coming year on this highway tax issue.

Sincerely,

Elizabeth

Elizabeth Hanford Dole

Enclosure

Senator SYMMS. Do you have any questions, Mr. Chairman?

The CHAIRMAN. No. No questions, except to indicate that in 1982 there were a lot of things that we did that the trucking industry wanted. Now, of course you have got all of those but what you don't like is the tax. Now, if we are going to go back and open up the whole act, I guess we could start over, and maybe that would be all right—put all of those things back that you had that you didn't like in 1982, and then we will start from there. But we can't start when you get all you want as far as the standardization and all those things in the Commerce Committee, to increase productivity, and have you say, "But we like all that, but we don't like the tax," now that you have got everything else. So I think we have to make a fundamental decision: Are we going to open up everything? Or are we going to stick to one issue?

Mr. PARKHURST. Mr. Chairman, may I add one note and trespass on your hospitality one more time?

The independent truckers got virtually nothing from that law except an increase in tax. Generally speaking, the independent trucker cannot take advantage of double trailers—the fact that the States are now fighting the DOT, and so forth, also is an indication that it is not really settled—but the independent trucker could not really take advantage; nor has the large fleets, because in the last year only 4,000 trailers have been bought, the bigger trailers in the last year, and that's only about 4 percent of the entire trailer population.

So even the regulated carriers that allegedly were going to be benefited have not gone out in droves to take advantage of it, because of all the lawsuits.

The CHAIRMAN. No; I just make that point. I mean, we can't operate that way, to say, "Well, everything you want is fine, we are not going to touch that; we are just going to argue about things you don't want." If that's what we have to do, then we ought to put everything back on the table and start from there; then we can negotiate. But we can't negotiate if you keep all you want; then we are only fighting over what you don't want. That's a pretty good deal if you can work it out.

We only have—what?—145 days? So we are going to have to get our heads together—I am talking about all of us—and figure out what we are going to do, or there won't be any change.

We would like to make the change. As I said earlier, we would like to put whatever change we make in the so-called down-payment package and get it done by mid-March.

Mr. JOHNSTON. Senator, if I could just make one additional comment, Senator Symms mentioned the possibility of those who were not paying the taxes—if we do end up with some combination of diesel differential and Federal highway use tax, I would think that it would be in the best interests of all concerned for some type of amnesty arrangement for those who have not been paying in the past. I think the revenue that would be generated as a result of that would more than compensate.

Senator SYMMS. Do you think this is one of the reasons why there was so much opposition to a diesel differential last year? I know Senator Dole floated it, I floated it, and we couldn't get anybody to support the idea of a diesel differential.

Mr. JOHNSTON. I think that was part of it, but then the other part, as you mentioned earlier, Senator Dole, we didn't support the diesel differential; but you can bet that if we had known for sure that we were going to end up with the $1,900, we probably would have.

The CHAIRMAN. That's higher than we want it, I might say, in defense of the Senate.

Mr. JOHNSTON. At that point it was sort of like deciding whether you wanted to be shot or stabbed. [Laughter]

Senator SYMMS. We had a $1,200 tax here in the Senate, and then we ended up losing it before it was over. Some of us voted for the bill with a lot of reservations because of that. So I hope we can make some changes here.

Thank you.

Mr. MORGAN. Mr. Chairman?

The CHAIRMAN. Yes?

Mr. MORGAN. I would like to state one thing, that you said a while ago: We do want to pay our fair share and have good highways, and we feel that the only way we can do it is by the revenue we generate. In other words, if we've got plenty of hauling, we're having revenue turned over, we can in return spend it for fuel which we can pay our tax on. That would be the simplest, most easy way for everyone concerned to do this, with no bookkeeping—nobody has got to tell a lie on a sheet of paper—it's coming from the fuel pump, and you know you're going to get it every month. And it's the most easy way for the Government to have their money coming to them. There's no way of getting around it; if you're going to run, you're going to pay.

And it could be an adjustable tax—we're not saying whether it's 2 cents or 7 cents; it's whatever is needed at the time.

The CHAIRMAN. Yes, but I'm told, again—I'm not an expert—that you will reach a point, if you get it too high, that somebody is going to figure out a way not to pay it.

Mr. MORGAN. Well, we have experts that can figure out what's needed for the budget.

The CHAIRMAN. And you've probably experts who can figure out how not to pay it, either, you know. [Laughter.]

I'll bet you could name a few. [Laughter.]

Well, we appreciate very much your testimony, and we will be working, hopefully, with you. That's what we're here for; we're trying to move it. We are meeting as quickly as we can.

We will be working with the GAO. They have already indicated that the owner-operators are the ones that are probably worse off, and I think we appreciate that, too.

Thank you.

Mr. MORGAN. Thank you, Mr. Chairman.

Senator SYMMS. Thank you.

The CHAIRMAN. We appreciate the panel that's now going to be here waiting for others who were from out of town:

Bennett Whitlock, John Archer, and George Berg—American Trucking Associations, American Automobile Association, and the American Farm Bureau Federation.

Bennett, you are first.

STATEMENT OF BENNETT C. WHITLOCK, JR., PRESIDENT, AMERICAN TRUCKING ASSOCIATIONS, INC., WASHINGTON, DC

Mr. WHITLOCK. Senator, we have submitted a full statement. I would appreciate it if the full statement and its attachments are made part of the record.

The CHAIRMAN. It will be made part of the record as though delivered in full. What are the attachments? They are not that thick, are they?

Mr. WHITLOCK. Oh, no.

The CHAIRMAN. We have to watch our budget.

Mr. WHITLOCK. No, sir.

Mr. Chairman, to accommodate the committee I plan to be very brief in my oral comments. But my brevity should not be construed as any lessening of the trucking industry's strong convictions that the special truck tax increases approved in STAA were not only inequitable but also are totally unrelated to the industry's use of the highways.

As a result, carrier expenses for taxes have increased almost 21 percent—one of the industry's fastest-growing expense items.

Should the increased truck use tax go into effect in July, we estimate that almost one-third of our carriers will be operating at a loss.

The most onerous part of the truck tax in STAA is the 700-percent increase in the so-called "heavy vehicle use tax." This tax is a misnomer, because it has no relationship to use. A vehicle traveling 10,000 miles pays the same tax per year as a vehicle which travels 110,000.

The trucking industry strongly supports S. 1475, legislation which repeals the heavy vehicle use tax and replaces this property tax with a 5-cent per gallon tax on diesel used in trucks.

S. 1475, as originally written, was revenue-neutral. However, the legislation was not passed in 1983. As a result, S. 1475 has a slight shortfall in revenue needed to fund the increased authorization provided by STAA.

The industry would favor amending S. 1475, so long as the tax option is tied to use. Large heavy vehicle use taxes, when coupled with a diesel differential, violate this principle.

We urge the committee, in arriving at a decision on the level of truck taxes, to consider the revenue necessary to fund the STAA highway authorizations. To raise revenues which exceed the expenditures authorized under STAA, in effect, provides a windfall to the Highway Trust Fund and would result in only increasing the already too large $10 billion trust fund balance. It also removes purchasing power from the financially hard-pressed trucking industry. Thank you very much, Mr. Chairman.

[Mr. Whitlock's prepared statement follows:]

STATEMENT OF

BENNETT C. WHITLOCK, JR.

PRESIDENT

AMERICAN TRUCKING ASSOCIATIONS, INC.

SUMMARY STATEMENT

Good morning, gentlemen. My name is Bennett C. Whitlock, Jr., and I am president of the American Trucking Associations, Inc. (ATA) with offices at 1616 P Street, Northwest, Washington, D.C. ATA is a federation with affiliated associations in every state and the District of Columbia. In the aggregate, ATA represents every type and class of motor carrier operation in the country, both for-hire and private.

With me today is Lana R. Batts, Managing Director of ATA's Research and Policy Analysis Division.

I have an in-depth statement I wish to submit for the record. In the interest of time, I would like to highlight the important issues raised in this statement.

First, Mr. Chairman, I want to emphasize that the trucking industry is committed to the program of increased federal funding for our nation's highways and bridges as provided by the Surface Transportation Assistance Act (STAA). We are also committed to paying our fair share of highway user taxes to raise the necessary revenues to fund this increased federal program.

However, the special truck tax increases which were approved in the frantic timetable of the special session of the 97th Congress are not only inequitable but are totally unrelated to the industry's use of the highways.

As a result of STAA, carrier expenses for taxes have increased almost 21 percent and are the industry's fastest growing expense item. In July, when the increased use tax goes into effect, we expect an increase of between 1.12 and 1.39 points in the industry's operating ratio. This means almost one-third of our carriers will be operating at a loss. This compares with 23.6% today.

The most onerous part of the truck tax increases is the 700% increase in the so-called heavy vehicle use tax. This tax is scheduled to go from the current maximum of $240 a year to $1,600 on July 1 of this year and ultimately to $1,900 in 1988. This tax is a misnomer because it has no relationship to use. A vehicle traveling 10,000 miles pays the same tax as a vehicle which travels 110,000 miles per year.

Attached to my statement, are letters from individual carriers of varying size detailing the impact of the Surface Transportation Assistance Act and the heavy vehicle use tax in particular on their financial condition. I ask that these letters be entered into the record.

The trucking industry supports S. 1475, legislation which repeals the heavy vehicle use tax and replaces this property tax with a five-cents-per-gallon tax on diesel used in trucks. This tax, called a diesel differential, would not apply to diesel-powered automobiles, pickups, or vans under 10,000 pounds gross vehicle weight. S. 1475 was introduced by Senator Malcolm Wallop and co-sponsored by 26 bipartisan Senators, including eight members of this committee. A comparable bill, H.R. 2124, has been introduced in the House of Representatives where it has 228 co-sponsors.

S. 1475 is also supported by the Coalition for Equitable Truck Taxes. This Coalition, of which we are a part, has 41 members, including major shipper organizations; the entire food chain -- growers, processors, manufacturers, wholesalers, and distributors; and all owner-operator groups. Coalition members utilize for-hire, private and owner-operator trucks.

Mr. Chairman, the Coalition sent a letter to each member of Congress on January 23, 1984, outlining its position. Briefly, the letter urges early passage of S. 1475. I would like to have that letter which is attached to my statement entered into the record.

Mr. Chairman, S. 1475 was originally written to be revenue neutral. However, because the legislation was not passed in 1983, S. 1475 will result in a slight short fall of revenue to fund the increased authorizations provided by STAA. However, the industry would favor amending S. 1475, so long as certain principles are adhered to:

1) The tax option be as closely tied to use as possible, and on a pay-as-you-go basis. Large heavy vehicle use taxes, even when coupled with a diesel differential, violates this principle;
2) The amount of revenue raised approximates the $72.021 billion revenue level needed to fund STAA authorizations.

Mr. Chairman, I would like to say just a few words about the Department of Transportation's report entitled "Alternatives to Tax on Use of Heavy Trucks" which was submitted to the Congress on January 25, 1984.

Because Congress was concered with the size of the increase in the heavy vehicle use tax and the effect this would have on the recessionary financial condition of the trucking industry, STAA provided for the Department of Transportation to study alternatives to the tax. We are pleased that the Department did not endorse any of the tax alternatives submitted and leaves it to Congress to determine the most equitable approach. We are concerned that the Department has changed its original estimates of the revenues to be raised by the taxes enacted in December, 1982. Instead of the $72.021 billion as estimated at that time by the Joint Committee on taxation, DOT's new revenue estimates are $73.3 billion.

We urge the committee, in arriving at a decision on the level of truck taxes, to consider the necessary revenue to fund the STAA highway programs. To raise revenues which exceed the expenditures authorized under STAA, in effect provides a windfall to the Highway Trust Fund and would result in only increasing the already too large $10 billion Trust Fund balance. It also removes purchasing power from all highway users, including the financially hard pressed trucking industry.

Mr. Chairman, the trucking industry urges favorable consideration by this committee of S. 1475 with some modifications to enable the Highway Trust Fund to fund the authorizations in STAA.

The approach offered by S. 1475 has three distinct advantages:

o Returns user funding of highway projects to a pay-as-you-go basis;

o Establishes a taxing mechanism which is easily administered and provides little opportunity for non-compliance; and

o Establishes tax rates for the trucking industry which are equitable and more affordable.

I. INTRODUCTION

The American Trucking Associations, Inc. (ATA) welcomes the opportunity to discuss alternatives to the heavy vehicle use tax which was dramatically increased by the Surface Transportation Assistance Act of 1982.

Obviously, Congress was concerned with the magnitude of the heavy vehicle use tax contained in STAA because it required the Departments of Transportation and Treasury to conduct a study on alternative tax structures in Section 513(g). To the credit of both Departments, the study was completed one year early and presented to Congress on January 26, 1984. We were pleased that the study did not endorse any tax alternative and left it to Congress to determine the most equitable approach.

The trucking industry is committed to the program of increased federal funding for our nation's highways and bridges as provided by STAA. We are also committed to paying our fair share of highway user taxes to raise the necessary revenues to fund this increased federal program.

However, the special truck tax increases which were approved in the frantic timetable of the special session of the 97th Congress are not only inequitable, but also are totally unrelated to the industry's use of the highways.

The most onerous part of the truck tax increases is the 700% increase in the so-called heavy vehicle use tax. This tax is scheduled to go from the current maximum of $240 a year to $1,600 on July 1 of this year and ultimately to $1,900 in 1988. This tax has no relationship to use. A vehicle traveling 10,000 miles pays the same tax as a vehicle which travels 110,000 miles per year.

The trucking industry supports legislation to repeal the heavy vehicle use tax and replace this property tax with a five-cent diesel differential applicable only to trucks. S. 1475 introduced by Senator Malcolm Wallop and co-sponsored by 25 Senators accomplishes this. S. 1475 is also supported by the Coalition for Equitable Truck Taxes. This coalition of which we are a part, has 41 members, including major shipper organizations; the entire food chain -- growers, processors, manufacturers, wholesalers, and distributors; and all owner-operator groups. Coalition members utilize for-hire, private and owner-operator trucks.

As originally drafted, S. 1475 was intended to raise sufficient revenue to fund STAA and was thus revenue neutral. Because the legislation was not enacted in 1983, there is a slight shortfall in revenue. We support amending S. 1475 to correct this so long as the following principles are maintained:

1) The tax option be as closely tied to use as possible, and on a pay-as-you-go basis. Large heavy vehicle use taxes, even when coupled with a diesel differential, violates this principle;

2) The amount of revenue raised approximates the $72.021 billion revenue level needed to fund STAA authorizations.

The industry is united in its opposition to a federal weight-distance tax. Weight-distance taxes have been repealed in more states than currently have them. The taxes have inherent problems which make them subject to widespread evasion. The taxes increase paperwork and recordkeeping for carriers. The administrative costs are unattractive and an unnecessary government expense. Our position is detailed in Section V of this statement.

Also included in our statement are sections dealing with:

o The impact of the Surface Transportation Assistance Act on motor carrier earnings;

o The excessive levels of the heavy vehicle use tax; and

o The widespread support for the diesel differential.

II. THE IMPACT OF THE SURFACE TRANSPORTATION ASSISTANCE ACT ON MOTOR CARRIER EARNINGS

Passage of the Surface Transportation Assistance Act of 1982 (STAA) signaled the beginning of a significant increase in motor carrier operating taxes and fees as the industry was singled out to pay a substantial portion of the funds (channelled into the Highway Trust Fund) needed to refurbish and maintain our public highway network. The highway tax increases were much greater than the industry had ever before been assigned. For a typical 5 axle tractor-semitrailer, annual Federal user taxes as they are now structured will more than double the vehicle's tax burden, increasing from $1,746 prior to the STAA to $3,973 by 1985, the first full year the increased Heavy Vehicle Use Tax will be in effect. The tax burden will continue to escalate as the Use Tax is stepped up from its initial $1,600 annually to $1,900 annually by 1988.

Concomitant with the Federal increase in motor vehicle highway fees has been activity in numerous states to also increase their charges against motor carriers, to match additional Federal highway funding. To date almost all states have increased or are proposing increases in state highway taxes against trucks.

NEGATIVE IMPACT EXPECTED ON MOTOR CARRIERS

When the STAA was passed, ATA conducted an impact assessment on the effect of the increased taxes on the motor carrier financial posture. The technique measured 1982 earnings as if the 1985 level of taxes had been in effect in 1982. It also assumed that state tax increases would follow the Federal lead, as is indeed occurring. The result of this assessment showed that the effect of the higher taxes was an increase in the operating ratio (total operating expenses divided by gross freight revenue) between 1.12 and 1.39 points. The range of the increase is reflective of differing types of equipment used by the industry and the differing tax structures applicable to the various units. Had the taxes been in effect in 1982, the industry operating ratio would have risen from its actual 98.29 level to between 99.41 to 99.68. Instead of generating a meager net income the equivalent of 0.50 percent of revenues, the tax increases would have resulted in an industry net loss of 0.62 to 0.89 percent of revenues.

This, of course, was a suppositional analysis designed to measure the tax impact while avoiding the timing differences in the actual effective dates of the various elements of the overall tax increase. Presently, the first tier of Federal taxes is in effect, including the 5 cent per gallon fuel tax, the 12 percent excise tax (both effective in April 1983) and, most recently, the tire tax (Jan. 1, 1984). The Heavy Vehicle Use Tax is scheduled to become effective July 1, 1984. Thus, while the full tax package is not yet applicable, the industry is already feeling the impact.

RISING TAXES HINDER INDUSTRY RECOVERY

In 1983, the motor carrier industry improved its financial performance for the first year since 1978. However, in spite of the robust growth being experienced by the economy, the growth in motor carrier business has been modest. Although the financial posture had improved, it has not reached levels which can be considered adequate in light of future needs. A major factor hindering the motor carrier recovery and achievement of sound financial margins is the higher level of operating taxes and licenses already being paid by the carriers.

Since the 5 cent fuel tax and excise tax increases became effective in April 1983, the impact did not materialize until the second quarter. Combined results for general freight and specialized motor carriers for the second and third quarters of 1983 and 1982 show operating taxes increasing 20.65 percent — from 2.43 percent of revenues to 2.78 percent. During the same period revenues grew 5.55 percent and total expenses 3.33 percent. Vehicle mileage was up 2.51 percent and tons 4.06 percent. Thus, it appears that the Federal tax increases and state tax increases have already resulted in at least a 0.35 point increase in the motor carrier operating ratio. This impact may even be an understatement since taxes have historically been among the most stable of motor carrier expenses, changing very little in context of wider fluctuations in revenues or total expenses. At present, it is the fastest growing of the various expenses required to operate a truck line.

TAXES COULD BREAK MANY CARRIERS

While the impact of the fuel and related tax increases is severe on motor carrier aggregate results, its effect on individual carriers can be devastating. Consider that even in the improved industry environment of 1983, 23.6 percent of all individual carriers lost money from operations through nine months of the year (operating ratio of 100.0 or higher). Of these firms, almost 15 percent are unprofitable by the margin of increase in operating taxes stemming from the Federal tax increases presently effective. With the greatly escalated Heavy Vehicle Use Tax scheduled to take effect on July 1, 1984, these carriers' ability to turn losses to profits will be severely limited. In fact, most of these carriers will remain unprofitable. When the operating ratio increases another one point as a result of the Heavy Vehicle Use Tax, the industry could see up to 31 percent of its firms in the "red".

RECOVERING FROM TAX BURDEN DIFFICULT

In the highly competitive motor carrier industry today, the ability of many carriers to recover from the tax increases is limited. The Department of Transportation has asserted that productivity benefits ($3.2 billion) would offset, if not exceed, the cost of the tax increases ($1.8 billion). This level of benefits has been contradicted by other research which shows total benefits of less than $1 billion annually.*

Further, even these benefits have not materialized for several reasons. First, carriers operating at or close to the gross vehicle weight limit with existing equipment cannot use the increased sizes for trailers. This applies, in fact, to a majority of truck operators, especially those in the specialized segments of trucking. Further, the system of highways over which the longer and wider vehicles can operate has not been finalized. Finally, many carriers lack the funds to invest in the more productive units. This is a result of the 1978 to 1982 earnings decline.

CONCLUSION

Thus, the increasing Federal and state operating taxes add to the industry's dilemma. Operating taxes and licenses are the fastest growing of motor carrier expenses and a further rise of one point in the operating ratio will result in about a third of the carriers experiencing losses from operations.

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* See Attachment I, "Analysis of the Department of Transportation's Claim of the Benefits Accruing to the Trucking Industry from the Surface Transportation Assistance Act of 1982", by Regina T. Selva (as presented to the Transportation Research Board January 1, 1984).

III. THE HEAVY VEHICLE USE TAX LEVELS ARE EXCESSIVE

In Section 513(g) of the Surface Transportation Assistance Act of 1982 (STAA), Congress directed the Department of Transportation and Treasury to conduct a study on alternatives to the heavy vehicle use tax. Congress directed the study because of its concern about the the size of the increase, in the heavy vehicle use tax.

TAX LEVEL IS EXCESSIVE

With passage of STAA, the heavy vehicle use tax will increase from a maximum of $240 per year to $1,600 on July 1, 1984 and ultimately $1,900 in 1988 — a 700 percent increase. While the new schedule has been described as a phase-in, actually the first increase is a dramatic 566 percent, and the remaining three are only 6.25 percent, 5.88 percent, and 5.55 percent respectively. As noted earlier, the impact of the first increase is to raise the industry's operating ratio by one point. In the financially hard pressed trucking industry, a one point increase results in almost one-third of the carriers operating at a loss.

TAX HAS NO RELATION TO USE

In addition to the adverse impact of the dramatic increase, the heavy vehicle use tax is a contradiction in terms: the use tax has no relationship to use. A vehicle which travels 10,000 miles pays the same tax as a vehicle traveling 110,000 miles. The tax remains the same regardless of whether the industry is experiencing a declining economy with reduced mileage or a booming economy with increased mileage. Furthermore, for a typical five-axle tractor-semitrailer, $1,320 of his total Federal annual highway user tax of $3,973 bears no relationship to use.[1] This represents 38.3 percent of the highway user taxes.

Finally, although STAA allowed a refund for vehicles lost or stolen, there is no refund for vehicles traded or sold. The liability of the tax is calculated on the entire year and must be paid in full.

TAX COMPLIANCE, EVASION, AND ADMINISTRATIVE PROBLEMS

The heavy vehicle use tax is the only Federal highway user tax that is self reporting. As a result, it is subject to widespread evasion. The American Trucking Associations estimate that almost 20 percent of the vehicles liable for the tax do not pay it. In its study on tax alternatives, the American Association of State Highway and Transportation Officials (AASHTO) estimate evasion of 7-15 percent.[2]

STAA did attempt to correct the evasion problem by requiring that the states verify payment of the use tax before issuing vehicle registration. Even with this method, the AASHTO study claims that noncompliance will continue to be widespread because "...the tax is increasing substantially, which increases the incentive for evasion."[3]

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[1] Typical vehicle as defined by the Federal Highway Administration's "Road User and Property Taxes on Selected Motor Vehicles" (1982, latest edition): 4.8 miles per gallon; $60,517 vehicle price (F.O.B. factory, not including 10 percent dealer markup); 8-year life; and 124,000 mile tire life (10 tires at 91.1 pounds and 8 tires at 104.8 miles).

[2] "AASHTO Study of Motor Carrier Taxation and Registration Issues" prepared by System Design Concepts and Harold A. Hovey, Final Report to the American Association of State Highway and Transportation Officials, December 1983, p. VI-35.

[3] Ibid, p. VI-34.

STAA also included an exemption for vehicles which travel less than 5,000 miles. In its study on alternatives to the heavy vehicle use tax, the Department of Transportation (DOT) stated that exemptions "...make assessment problematic and compliance more difficult."[4] The Internal Revenue Service (IRS) has yet to indicate how this exemption will be administered. Suffice it to say, administration of this exemption will be difficult without an array of auditors. The incentive for noncompliance is just too tempting: a truck traveling 4,999 miles pays no heavy vehicle use tax while a truck traveling two miles further, or 5,001 miles, could be liable for as much as $1,600.

COMPETITIVE PROBLEMS WITHIN INDUSTRY

Two features of the heavy vehicle use tax create competitive problems within the trucking industry: the owner-operator one-year delay and the exemption for Canadian carriers coming from provinces with bilateral reciprocity agreements with states.

STAA contains a one year delay in imposing the tax for owner-operators owning no more than five vehicles. Thus in 1984, a carrier with six or more trucks would be paying as much as $1,600 per truck while a competitor with five or fewer trucks would be paying a maximum of $240 per truck, or $1,360 less. For a typical five-axle tractor-semitrailer traveling 70,000 miles per year, as defined by the Federal Highway Administration,[5] one vehicle will be paying 0.34 cents per mile in use tax while another will be paying 2.28 cents per mile. In today's highly competitive environment, a 1.94 cent per mile difference in rates is significant and could spell disaster for many companies.

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[4] "Alternatives to tax on Use of Heavy Trucks," Department of Transportation, January 1984, p. VII-3.

[5] "Road User and Property Taxes on Selected Vehicles," op cit.

Because of a determination by the IRS, some Canadian carriers operating in the United States are liable for the heavy vehicle use tax while others are not. Canadian carriers coming from provinces that have bilateral registration reciprocity agreements with states are not deemed by the IRS to be registered for purposes of the heavy vehicle use tax. Yet American carriers operating in these same provinces pay the use tax. The exemption results in a signficant cost per mile competitive advantage for the Canadian carriers.

Carriers coming from provinces in the International Registration Plan (IRP) are deemed by the IRS to be registered in the U.S. and, therefore, are liable for the use tax. This disparity creates competitive problems within Canada.

Furthermore, no international operation -- American or Canadian based -- receives special exemption or prorated heavy vehicle use tax for infrequent usage of U.S. highways.

In summary, a diesel differential will eliminate this barrier to international trade. The Canadian Government has stated its preference for either a prorated use tax based on miles traveled (regardless of country of origin) or a diesel fuel differential.[6]

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[6] "Alternatives to Tax on Use of Heavy Trucks," op cit., p. A-2.

IV. DIESEL DIFFERENTIAL IS ONLY OPTION WITH WIDESPREAD SUPPORT

Throughout the whole debate on alternatives to the heavy vehicle use tax, the only tax alternative with any substantial support has been the diesel differential as envisioned in H.R. 2124 and S. 1475. Of the 93 comments filed with the Department of Transportation (Docket No. 83-3), opened April 7, 1983, 54 supported a diesel differential, 12 supported a weight-distance tax, 20 supported other types of taxes and the remaining 7 did not address the issue. In addition, 41 national and regional associations have formed an organization called the Coalition for Equitable Truck Taxes, which supports passage of S. 1475 and H.R. 2124. Currently, 26 senators are cosponsors for S. 1475, while a majority of the House of Representatives are cosponsoring H.R. 2124.

PREDICTABLE TAX SOURCE

The diesel fuel tax has already proven to be a predictable revenue source. Currently, 12 states have diesel differentials. They are:

- Alabama
- Arkansas
- Colorado
- Illinois
- Iowa
- Kansas
- Mississippi
- Montana
- New York
- Tennessee
- Texas
- Vermont

No state has indicated a shift from diesel to gasoline-powered vehicles because of the diesel differential. This is because a diesel engine is more fuel efficient than a gasoline engine.

Finally, as Table IV-1 indicates, S. 1475, when introduced, would have raised approximately the same amount of revenue as STAA, or $72 billion as estimated by the Joint Committee on Taxation. While the surplus in the Trust Fund has risen from $9 billion to $10 billion, the industry is committed to a tax proposal which raises approximately the same amount of money so long as it embodies the principles set forth in H.R. 2124.

EAST TO ADMINISTER

The diesel differential, as contained in S. 1475, has at least three advantages over other options: First, it is not a new taxing option. As a result, it will not require new forms or new procedures. Carriers paying the current diesel tax will only pay a higher rate. Secondly, it is not a self-reporting tax. As a result, compliance is widespread and hard to avoid.

In addition, exempting owners of diesel-powered cars and light trucks under 10,000 pounds GVW would not place new requirements on the Federal government and the taxpayers. Currently, the Federal government rebates fuel taxes to certain farmers; commercial fishing vessels; intercity, local and school buses; gasoline/alcohol mixture; and qualified taxicabs. Assuming the nation's 2.8 million farmers claim a refund for off-highway usage, then the Federal government is handling at least that many refunds from the Internal Revenue Service, Form 4136, "Computation of Credit for Federal Tax on Gasoline, Special Fuels, and Lubricating Oil." Allowing a refund for the nation's diesel-powered automobiles and light trucks would not be a new requirement for the Federal government.

TABLE IV-1

ESTIMATED REVENUE UNDER S. 1475 -- DIESEL DIFFERENTIAL

$ MILLION-FISCAL YEARS

	1983	1984	1985	1986	1987	1988	6-YEAR TOTAL
GASOLINE	$6,182	$8,463	$8,375	$8,315	$8,339	$8,394	$48,068
DIESEL	1,141	2,021	2,328	2,506	2,693	2,890	13,580
TRUCKS & TRAILERS	610	1,102	1,397	1,578	1,702	1,850	8,239
TRUCK PARTS	64	-	-	-	-	-	64
TIRES	530	250	151	160	166	173	1,430
TUBES	20	7	-	-	-	-	27
TREAD RUBBER	21	7	-	-	-	-	28
LUBE OIL	13	-	-	-	-	-	13
USE	114	-	-	-	-	-	114
* TOTAL	$8,695	$11,850	$12,252	$12,559	$12,900	$13,307	$71,563
TOTAL UNDER STAA*	$8,636	$11,713	$12,378	$12,755	$13,128	$13,411	$72,021

*SURFACE TRANSPORTATION ASSISTANCE ACT
SOURCE: DATA COMPUTED FROM ESTIMATES BY U. S. CONGRESS JOINT COMMITTEE ON TAXATION. DIESEL PROJECTIONS DERIVED FROM U. S. TREASURY ON-HIGHWAY DIESEL FUEL CONSUMPTION MODEL

Concerns have been raised by the American Association of State Highway and Transportation Officials (AASHTO) that it would be too costly to handle refunds to exempt diesel-powered vehicles. Yet, AASHTO estimates in its recent study on Motor Carrier Taxation that the cost for each refund would be between 20 cents and $1.00 per refund.[1] This hardly constitutes a major increase in Federal tax collection expenditures.

COMPLIANCE COSTS ARE LOW

In contrast to the large lump-sum payment required by the heavy vehicle use tax under the STAA, the diesel differential will be a truly "pay-as-you-go" tax. This has been a long-standing principle of highway taxation which has been supported by ATA. The "pay-as-you-go" principle continues to be widely supported in the motor carrier industry, especially in today's tight money conditions for many motor carriers.

A diesel differential would not require any additional recordkeeping beyond that which already occurs. As noted above, the only burden would be on the diesel-powered automobile and light truck owners who would file a form requesting an average credit or refund of $30 similar to IRS Form 4136. There would be a significant paperwork reduction for 1.8 million[2] [3] to 1.4 million[4] combination trucks currently paying the

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1/ "AASHTO Study of Motor Carrier Taxation and Registration Issues," Prepared for the American Association of State Highway and Transportation Officials, by System Design Concepts, Inc. and Harold A. Hovey, December 1983, p. VI-27.

2/ Transportation System Descriptors Used in Forecasting Federal Highway Revenues, Final Report, U.S. Department of Transportation, Federal Highway Administration, June 1981, Section III.

3/ Capital Cost Allocations and User Charge Structure Options, Highway Cost Allocation Study, Working Paper Number 12, U.S. Department of Transportation, Federal Highway Administration, July 1981, p. 33.

4/ Final Report on the Federal Highway Cost Allocation Study, Report of the Secretary of Transportation to the United States Congress, Pursuant to Section 506, Public Law 95-599, Surface Transportation Assistance Act of 1978, May 1982, p. IV-23.

heavy vehicle use tax.

In addition, Canadian carriers favor a diesel differential. A diesel differential overcomes the problems of Canadian-based carriers in some provinces which are subjected to the heavy vehicle use tax and those based in other provinces which have reciprocal agreements that allow them to avoid taxes.

COMPLIANCE AND ENFORCEMENT PROBLEMS ARE MINIMAL

The diesel differential is a simple, straightforward tax that cannot be easily avoided. As a result, it has very high compliance and low enforcement costs. In fact, in most states the costs to collect are approximately one percent. (See Table V-2)

Allegations have been raised that if a diesel differential tax were adopted, there will be massive tax evasion by truck operators who will use middle distillates such as home furnace oil, heating oil, and kerosene, on which there are no taxes, as substitutes for diesel fuel. There is already a substantial difference in the price of highway diesel fuel and other non-taxable middle distillates. Yet, there is no evidence of extensive evasion because practical roadblocks prevent such cheating which will continue with a diesel differential.

Massive evasion is not possible because of the lack of availability of diesel for nontaxable middle distillates for truck operations. It is difficult for truck operators to purchase large quantities of nontaxed substitute fuels because they are not sold by truckstops.

Substantial tax losses could occur only where there are large volumes of middle distillates sold. However, states presently require all bulk fuel facilities to be registered, and these facilities are regularly inspected. Non-registered facilities frequented by heavy trucks will be easily detected.

Likewise, a one truck operator who uses his home heating oil as a diesel substitute will be detected. Heating oil companies sell on degree days which enables them to know how much fuel is being used and when to refill tanks. If a customer starts to use 250 gallons a week, it will cause an investigation; especially in the summer.

Massive evasion of a diesel differential tax by the trucking industry would require a huge, sophisticated black market. It takes roughly 600 gallons of diesel to cross the country with a loaded truck. Locating illegal fuel stops that could handle the volumes of fuel needed would present a major logistical problem.

Beyond the difficulty of obtaining sufficient substitute fuels, there are inherent problems in using them in today's highly-sophisticated diesel engines. Diesel fuels are made to burn in truck engines while the untaxed products are blended and refined for other purposes. In diesels, there is a variable workload and air supply, while furnace burners work at a constant workload and air supply. Diesel fuel must provide a controlled, rapid burn whereas heating oil does not require such properties. Admittedly, substitutes can be burned in diesel engines periodically. However, such a long-term practice will lead to increased maintenance and failures.

Problems include:

(1) Furnace fuels are not as clean as diesel which will lead to filter problems;

(2) Furnace fuels do not include flow improvers which will cause serious winter operating problems;

(3) The detergents needed in diesel fuel to keep injectors and combustion chambers clean are missing from other products;

(4) Ash and sulfur are not controlled in furnace oil as they are in diesel fuels causing deposit and acid problems

(5) Heating values are different for heating fuel and are less economical; and

(6) Furnace oils do not contain the blend and additives needed to assure a rapid, controlled burn.

The damage done by the use of substitute fuels is detectable and not covered by engine warranty. Every engine builder warns against such practices.

As a consequence, the low profits available to black market dealers, the problem in obtaining massive amounts of substitute fuels, and combustion difficulties caused by such fuels argue strongly against their being widely used as substitute for diesel fuel.

Even with these problems in availability and substitutability of diesel fuel for nontaxed middle distillates, allegations have been made that Canada experienced large evasion problems with a diesel differential. It was alleged that when Canada colored highway diesel fuel, the collection rates increased dramatically.

Yet the Canadian diesel differential is quite unlike that being proposed by S. 1475 and H.R. 2124.[1/] For example, four Canadian provinces

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"The Coloring of Motor Fuel in Canada," prepared by the Federation of Tax Administrators, Research Memorandum 555, May 1983.

levy an ad valorem tax on diesel fuels but not heating oil. As of January 1, 1982, the rates on diesel fuel in these four jurisdictions were:

Manitoba:	20 percent of retail price
Ontario:	27 percent of retail price
Quebec:	20 percent of retail price
Saskatchewan:	28 percent of retail price.

A five cent diesel differential represents four percent of the current price of diesel fuel at 123.8 cent per gallon, as measured by the Interstate Commerce Commission's weekly survey of truckstops. The Canadian experience is hardly relevant to the discussion of a five cent diesel differential.

SUMMARY

As indicated earlier, a five cent diesel differential meets the criteria of equity, economic efficiency, productivity, administrative feasibility, payment ease, and compliance and enforcement. Furthermore, it returns highway funding to a pay-as-you-go principle for highway user fees. It raises the necessary revenue for a substantially increased highway program.

V. WEIGHT-DISTANCE TAXES FAIL TO MEET THE OBJECTIVES FOR REASONABLE HIGHWAY TAXATION

The railroads, the American Automobile Association (AAA)and others favor the imposition of some form of a Federal weight-distance tax as a substitute for the heavy vehicle use tax. The extreme complexity in assessing and administering weight-distance tax schemes cause them to be inexact, impercise, and inconsistent. As will be demonstrated in this section, weight-distance tax proposals satisfy none of the objectives of good highway taxation.

A COMPLEX TAX

Taxes based on some measure of weight and distance can come in many forms:

(a) a tax rate applied to the gross weight of the vehicle and the mileage traveled;

(b) a tax rate applied according to the gross weight of the vehicle and mileage traveled when the vehicle is either partially or fully loaded but a different rate applied to the unladen weight of the vehicle and mileage traveled when empty;

(c) a tax rate applied according to the unladen weight of the vehicle and the mileage traveled; and

(d) a tax rate applied according to the number of axles and mileage traveled.

While there is some confusion between weight-distance taxes and ton-mile taxes, there shouldn't be. In theory, a ton-mile tax varies according to the actual load per vehicle. In practice, only Colorado assesses a ton-mile tax.[1/] All other weight-distance (ton-mile) taxes are based upon some type of registered weight: unladen, empty, and maximum gross.

[1/] The tax is assessed at a rate of .8 mills per ton-mile of empty weight, plus two mills per ton-mile of cargo weight. Reports on mileage are filed each month. To guarantee payment, a bond must be posted equal to two months estimated liability.

A weight-distance tax, like its predecessor the ton-mile tax, is based upon a pseudo-scientific concept. The theory of a tax based on tonnage multiplied by mileage sounds terrific, but is deceptive. It is based on an erroneous concept that all highway wear is directly related to the weight of a truck (including load) and that weight and distance are a fair measure of this pavement wear. No evidence has ever been produced demonstrating a direct causal relationship between highway costs and weight-distance.

Furthermore, most weight-distance tax advocates are suggesting a scheme based on gross registered weight; not operating weight. Thus, while administrative feasibility may be enhanced, the opportunity to achieve acceptable levels of equity and efficiency is significantly reduced.

The average weight of any vehicle varies according to the type of operation, commodity hauled, freight availability, and other factors. For example, the average operating weight of a general freight vehicle registered at 80,000 pounds is 61,000 pounds. It is clear that there is no predictable relationship between registered and operating weights.

Ten states (Arizona, Colorado, Idaho, Kentucky, Nevada, New Mexico, New York, Ohio, Oregon, and Wyoming) have taxes that could be broadly construed to assess a weight-distance tax. Six states apply the tax on the basis of registered gross weight. Three states base the tax on unladen or empty weight. And Ohio bases the tax on the type of vehicle and the number of its axles.

Significantly, no other class of taxpayer is subject to the complex and burdensome requirements of a "registered weight-distance" tax. The filing of a bond, the need to display a tax plate demonstrating compliance in some cases, the elaborate reporting forms and mileage records, and the proposed assessment of a carrier for the per diem expense of an audit by the state personnel, add up to a system of enormous expense and, in many cases, a reduced revenue level to the states.

ADMINISTRATIVE FEASIBILITY IS CHECKERED

The history of weight-distance (ton-mile) taxes indicates that they have been found to be unsatisfactory. Eleven states have repealed laws imposing such taxes. (See Table V-1.) In other words, more states have tried and abandoned some form of a weight-distance tax than currently have them. As the table demonstrates, the principal reason for the repeal was that the taxes could not be administered successfully without using objectionable procedures. States found the taxes difficulty to enforce and costly to administer.

The costs of administering weight-distance taxes are high for both the government and the taxpayer. Any tax requiring self-reporting of detailed records creates a potential for evasion. A study done by Wilbur Smith and Associates, for the Wyoming legislature, Highway User Fee Study, contains the following statement about the Wyoming mileage tax, or Compensatory Fee:

> Another serious problem with the current system is the potential for tax evasion. The limited information which is available as well as a review of operating procedures suggest that the opportunity to avoid payment of compensatory fees exists on a significant scale.[1]

Consequently, to ensure a reasonably full complaince, audits of carrier records must be made on a regular basis.

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[1] Wilbur Smith and Associates and the Wyoming Legislature Joint Transportation and Highways Interim Committee, Wyoming Highway User Fee Study, 1981.

The Federal Highway Administration (FHWA) annually receives data from each of the states on the cost of collecting "State Motor-Vehicle and Motor-Carrier Tax Receipts." This includes registration fees, drivers licenses, titling taxes, fines and penalities, mileage and ton-mile taxes and other miscellaneous receipts. Costs of collection for fuel taxes are also reported to FHWA.

In those forty-two states[2] and the District of Columbia not assessing weight-distance taxes, the cost of collecting traditional motor vehicle and motor carrier taxes in 1980 averaged 12¼ percent of the taxes collected while fuel taxes were 0.78 percent. For the eight states in 1980 which collected weight-distance taxes as well as those traditional taxes, the motor vehicle cost of collection was 16.8 percent and fuel tax cost was 1¼ percent. This means that the total cost of collection of all highway user taxes as reported by the states was 8.12 percent of total user taxes in the eight weight-distance tax states and only 5.89 percent in the other 42 states. The estimated cost of collection of the weight-distance tax in these eight states is more than $66 million. (See Table IV-2.) Despite claims of very low collection costs for weight-distance taxes, the state reports to FHWA show that 30 percent of all weight-distance tax collections are expended to collect the tax.

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[2] Data not available for states enacting weight-distance taxes in 1981 or after.

TABLE V-1

STATES REPEALING WEIGHT-DISTANCE (TON-MILE) TAXES

STATE	DATE IN EXISTENCE	REASON FOR REPEALING
Alabama	1941 - 1961	
Georgia	1931 - 1937	"Administrative Expenses Ran High ... 21.47% of gross collections" 1/
Iowa	1925 - 1939	"Difficult to administer because it involves self-declaration ... open to evasion." 2/
Kansas	1931 - 1955	
Michigan	1946 - 1966	
Minnesota	1936 - 1949	"Problems of Enforcement Out of Proportion" 3/
Oklahoma	1923 - 1938	"Expense of collecting this mileage tax was rather excessive ... very expensive on the motor carrier owner ... 4/
Tennessee	1931 - 1939	"Very impractical ... cumbersome and costly to administer" 5/
Utah	1933 - 1937	"Enforcement ... almost universally as unacceptable" 6/
West Virginia	1933 - 1951	Discourage the development of intra-state regular route service 7/
Wisconsin	1933 - 1953	"Riddled by the Exemptions" 8/

See next page for explanations

TABLE V-1 (Cont'd.)

STATES REPEALING WEIGHT-DISTANCE (TON-MILE) TAXES

1/ Figures based on the Comptroller General's and Treasurer's report for those years, quoted in statement of R. S. Reese, Executive Secretary of the Motor Vehicle Association of Georgia, July 1949, p. 1281.

2/ E. D. Allen, "Analyses of Highway Costs and Highway Taxation With an Application to Story County, Iowa," Iowa State College Bulletin 152, 1941, p. 90.

3/ Report of the Legislative Interim Committee on Highways, submitted to the Legislature of the State of Minnesota, 1949, p. 75.

4/ Letter from M. C. Connors, Secretary, Oklahoma Tax Collection, to Lyle Griffin, Field Representative of National Highway Users Conference, August 18, 1950.

5/ Board of Investigation and Research, Carrier Taxation, H. Doc. 160, 79th Cong., 1 Sess., p. 231.

6/ "Weighed ... and found wanting," National Highway Users Conference, undated, p. 9.

7/ "The Ton-Mile Tax and Related 'Third Structure' Taxes," National Highway Users Conference, p. 19.

8/ Wisconsin Legislative Council, Advisory Committee on Highways, Report of 1950, Vol. XV, Sec. 1, Part II, Motor Carrier Transportation in Wisconsin, Fees - Taxes - Reciprocity, p. 171.

TABLE V-2

COMPARISON OF THE COST OF COLLECTING HIGHWAY USER TAXES IN THE EIGHT STATES HAVING SUCH TAXES WITH STATES NOT HAVING WEIGHT-DISTANCE TAXES - 1981

	Thousand of Dollars	
Type of User Taxes	Eight States With Weight-Distance Taxes 1/	States Without Weight-Distance Taxes
Motor Vehicle & Motor Carrier Taxes	$1,061,492	$ 7,004,323
Cost of Collection	178,065	859,678
Collection Cost Rate	16.77%	12.27%
Fuel Taxes	$1,327,950	$ 8,755,860
Cost of Collection	16,049	68,627
Collection Cost Rate	1.21%	0.78%
Total User Taxes	$2,389,442	$15,760,183
Cost of Collection	194,114	928,304
Collection Cost Rate	8.12%	5.89%
Weight-Distance Taxes	$ 218,461	$ ——
Estimated Cost of Collection 2/	66,243	——
Collection Cost Rate	30.32%	——

1/ Data are not available for states inacting weight-distance taxes in 1981 or after.

2/ Estimated by multiplying total user taxes, less mileage taxes, collected in the eight mileage tax states by the average collection cost rate in the other forty-two states. The product is an estimate of the cost of collecting all user taxes except the mileage taxes. The difference between this and the total cost of collecting all user taxes of $194,114,000 reported to the Federal Highway Administration represents an estimate of the cost of collecting weight-distance taxes in the eight states.

SOURCE: Highway Statistics, Tables MV-2, MV-3, MF-1 and MF-3, Federal Highway Administration.

The Wilbur Smith and Associates study in Wyoming indicates that in Fiscal Year 1980 the 13 ports of entry collected $6,344,424, consisting largely of the weight-distance tax and trip permits. The operating costs of the 13 ports of entry and two supporting shops were $1,577,765, or 25 percent of the revenues collected. That's about in line with the national average for weight-distance taxes.

In Colorado the ton-mile tax is reported in the fuel tax tables. This shows that in 1980 $112,261,000 in fuel taxes were collected in Colorado and that collection expenses were $13,516,000 or 12 percent of the taxes collected. Since the national average cost of collecting fuel taxes is less than one percent, it is apparent that the cost of collecting the ton-mile tax in Colorado is very high.

Detailed Colorado data shows that despite collecting nearly $25 million in ton-mile taxes, only about $12 million is actually available for highway expenditures after deduction of ton-mile tax collection costs.

Oregon is often referred to as a state with low collection costs for its complex weight-distance tax. But as Table V-3 indicates, the cost to collect Oregon's weight-distance tax is 31.97 percent of the revenue collected, similar to other weight-distance tax states.

The American Association of State Highway and Transportation Officials (AASHTO) has endorsed the concept of a federal weight-distance tax as a future equitable alternative to the heavy vehicle use tax. Yet, despite the evidence contained above, AASHTO indicates that collection costs would be minimal. Yet, we note that AASHTO's proposal admits that the cost to collect a federal weight-distance tax would be between five and seven percent. By comparison, FHWA data indicate that it costs less than one percent to collect fuel taxes.

TABLE V-3

Weight Distance Tax Collection Cost Example - Oregon
1981

Type of User Taxes	Oregon User Taxes Collected
Motor Vehicle & Motor Carrier Taxes	$ 109,096,000
Cost of Collection	25,706,000
Collection Cost Rate	23.56%
Fuel Taxes	$ 87,973,000
Cost of Collection	397,000
Collection Cost Rate	0.45%
Total User Taxes	$ 197,069,000
Cost of Collection	26,103,000
Collection Cost Rate	13.25%
Weight-Distance Taxes	$ 55,584,000
Estimated Cost of Collection 1/	17,770,000
Collection Cost Rate	31.97%

1/ Estimated by multiplying total user taxes, less mileage taxes, collected in Oregon by the average collection cost rate of 5.89% in the forty-two states not having mileage taxes. The product is an estimate of the cost of collecting all user taxes except the mileage taxes in Oregon. The difference between this and the total cost of collecting all user taxes of $26,103,000 reported to the Federal Highway Administration by the State of Oregon represents an estimate of the cost of collecting mileage taxes in Oregon.

SOURCE: Highway Statistics, Tables MV-2, MV-3, MF-1 and MF-3, Federal Highway Administration.

In addition, the AASHTO proposal would have the states collect the federal tax and be reimbursed for their collection costs. No other federal tax is collected at the state level. The constitutional issue of states collecting federal taxes would have to be resolved.

RECORDKEEPING WOULD BE INCREASED

Highway tax proposals should minimize recordkeeping. However, weight-distance taxes increase paperwork and recordkeeping. The Wilbur Smith and Associates study had the following to say about the Wyoming mileage tax:

> Substantial costs are imposed upon the carrier in order to comply with the existing compensatory fee. For some carrier routes, the processing costs for the carriers (stopping as a minimum of two ports of entry) may equal or exceed the compensatory fees which are imposed. In addition, carriers incur costs associated with additional recordkeeping mandated by the compensatory fee system.

A table in this study compares the Compensatory Fees paid by a 32,000 pound truck with the detention costs for two 15-minute stops at the port of entry at each end of the trip for three through state trips. Detention costs "are the costs of driver wages, depreciation, insurance and fuel, in addition to an approximation of dollar costs resulting from the time loss in reaching the trucker's destination."

On the shortest trip, 211 miles, the compensatory fees collected were $8.77 compared to detention costs of $17.50. In this example of costs of stopping at ports of entry were twice the tax paid.

On a 365 mile trip through Wyoming the compensatory fees collected totaled $15.18 compared to the detention costs of $17.50. The detention costs represent 115 percent of the taxes paid.

The third trip was a 400 mile trip and $16.14 was collected in compensatory fees compared to the detention costs of $17.50. The detention costs represented 107 percent of the taxes collected. In addition to detention costs, there are the costs of maintaining records which the consultants acknowledge to exist, but did not quantify in their analysis.

A survey conducted by ATA's National Accounting and Finance Council (see Attachment II) indicates that the cost of complying with a weight-distance tax would be an increase of between 290 and 590 percent, depending on the size carrier, relative to that of complying with the current heavy vehicle use tax.

A majority of small motor carriers currently incur about $15 per truck in administrative costs for purposes of complying with the FHUT. If a federal weight-distance tax were enacted, this "hidden tax" would jump to $102 per truck, which translates into a 590 percent increase. A mid-size carrier currently incurs approximately $12 per truck in administrative costs to comply with the current FHUT. This would compare to an estimate of $52 per truck or a 330 percent increase for a federal weight-distance tax. A large carrier presently incurs approximately $3.50 per truck to comply with the current FHUT, as compared to nearly $13.50 per truck for a federal weight-distance tax or 290 percent more. Clearly, a federal weight-distance tax would substantially increase the compliance costs for all carriers.

Finally, carriers in 9 jurisdictions, including California with the largest registered truck population, will find it impossible to pay the tax. As Table V-4 shows, nine jurisdictions do not register by gross vehicle weight which is essential for determining the tax rate. Furthermore, unladen weight, empty weight, manufacturer's shipping weight, and net weight are separate and distinct weight categories. There is no way to determine gross vehicle weight from any of them.

TABLE V-4

STATE REGISTRATIONS OTHER THAN GROSS VEHICLE WEIGHT

STATE[1]	METHOD OF REGISTRATION	NUMBER OF TRUCKS[2]
Alaska	Unladen weight	95,700
California	Unladen weight	2,900,500
Colorado	Empty weight	552,700
District of Columbia	Manufacturer's shipping weight	10,200
Hawaii	Net weight	70,000
Nevada	Unladen weight	138,100
Ohio	Net unladen weight	876,100
South Dakota	Manufacturer's shipping weight[3]	Unknown
Wyoming	Unladen weight	106,500

1/ In addition, Quebec registers by curb weight (weight of the vehicle minus load).

2/ 1977 Census of Transportation, Truck Inventory and Use Survey.

3/ For non-commercial motor vehicles. Commercial vehicles on gross vehicle weight basis.

COMPLIANCE AND ENFORCEMENT COSTS ARE HIGH

Weight-distance taxes are self-reporting and depend upon those subject to the tax to identify themselves to the state. It is based on the honor system. Those who are honest will pay the tax and the others will not.

The only way to ensure compliance with a weight-distance or ton-mile tax is for the state to audit the records of the carrier. Unfortunately, proponents seem to make the assumption that all carriers keep mileage records which are reported to some state agency. This assumption is incorrect. As Table V-5 indicates, many states do not require that mileage records be maintained: Nine states exempt solely intrastate carriers; four states exempt noncommercial vehicles; two states exempt private carriers with only one truck; and three states exempt intrastate mileage for vehicles base-licensed in the state. Compliance cannot be assured for vehicles which do not keep records.

The problem with state audits of ton-mile taxes are clearly described in a study released in October 1982, prepared by the Urban Center of Cleveland State University, An Analysis of Highway Finance in Ohio: Current Practice and Alternative Approaches.[3/]

The Ohio study states that:

> ... the 17 audits closed in 1982 by highway use tax field auditors assessed an additional $1.2 million on self-assessed taxes of $6.1 million. This represents 20 percent underpayment. Because field audits are initiated where evidence of problems already exists, total underpayments may be less than 20 percent, but clearly compliance is a much greater problem for this tax than for the motor carrier fuel tax or license tax. (Emphasis supplied.)

[3/] An Analysis of Highway Finance in Ohio: Current Practice and Alternative Approaches, Prepared for Ohio Department of Taxation by the Urban Center, College of Urban Affairs, Cleveland State University, 1982.

TABLE [illegible]-5

STATES NOT REQUIRING MILEAGE RECORDS

STATE	EXEMPTION
Alabama	Wholly intrastate vehicles
Delaware	Private carriers with one truck
District of Columbia	No fuel purchase law, no mileage reports
Florida	Noncommercial vehicles
Hawaii	No fuel purchase law, no mileage reports
Illinois	Noncommercial vehicles, wholly intrastate vehicles
Iowa	Wholly intrastate
Kansas	Wholly intrastate
Minnesota	Vehicles base-licensed in Minnesota
Montana	Wholly intrastate vehicles
New Mexico	Wholly intrastate vehicles
North Dakota	Wholly intrastate vehicles
Ohio	Noncommercial vehicles
Oklahoma	Noncommercial vehicles
Oregon	Mileage tax in lieu of fuel tax
Pennsylvania	Private carriers with one vehicle
Rhode Island	Vehicles fully base-plated in Rhode Island
South Dakota	Wholly intrastate carriers
Texas	Wholly intrastate carriers
Washington	Vehicles base-licensed instate
Wisconsin	No fuel purchase law, limits fuel importation to 20 gallons
Wyoming	Compensatory tax in lieu of fuel tax

The Ohio study goes on to show that underpayment of the axle-mile tax in Ohio may be even greater than the limited field audits indicated. Based on estimated annual vehicle miles of travel by the different vehicle types subject to the mileage tax, the study shows the state should have collected $86,666,924 in Fiscal Year 1980. But only $47,425,588 was actually collected, representing 55 percent of the amount that should have been collected. In general, the study finds that the lighter the vehicle, the lower the compliance. The additional $39,241,336 or 45 percent of the revenues that should have been collected represents either complete noncompliance with the law or an underpayment of the taxes that should have been paid.

The results of this Ohio study dramatically highlight a fundamental problem with a self-reporting tax such as a weight-distance tax. Unless audits are performed on a systematic basis, there is not only lack of payment but also those carriers who pay the tax are placed under a competitive disadvantage. One cannot hazard a guess as to the number of Federal or state auditors which would be required for the 30,000 regulated motor carriers, approximately 100,000 owner-operators, and thousands of private carriers.

As noted earlier, DOT and AASHTO support a federal weight-distance tax. While both claim that compliance and enforcement are not an insurmountable problem, DOT concedes that there is no mechanism at the federal level to handle compliance, and, AASHTO concedes that another layer of bureaucracy would have to be established to overcome these "non-problems."

SUMMARY

While the concept of weight-distance taxes sounds simple in theory, in reality it is immensely complex. The dilemma confronting weight-distance taxes can be summed up as follows:

- If you make the weight-distance tax practical to collect, it will be inequitable;
- If you try to make it equitable, it will be impractical;
- The simpler you make it, the more unfair it is; and
- The fairer you make it, the more complicated its collection becomes.

VI. CONCLUSIONS

The American trucking industry has always been a supporter of good highways. Furthermore, the industry has been willing to pay its fair share of Federal highway taxes. Yet, the tax features of the Surface Transportation Assistance Act destroy the use relationship the trucking industry has historically had with highway funding.

We believe S. 1475 and H.R. 2124 are far superior to the present heavy vehicle use tax which will increase substantially on July 1, 1984. The heavy vehicle use tax should be repealed because:

1. The tax has no relationship to use. Thus, it is not a true highway use tax; rather, it is closer to a property or existence tax;
2. The tax has compliance, evasion, and administrative problems;
3. The tax is excessive and threatens to eliminate any profits for almost one-third of the motor carrier industry; and
4. The tax creates artificial competitive problems within the trucking industry.

These problems will be eliminated or substantially reduced with a diesel differential as proposed in S. 1475. It does not require any new forms or procedures. It returns highway funding to a pay-as-you-go system. And it reduces the chance for evasion. The change contained in S. 1475 the industry seeks is equitable and returns the truck tax program to a true use basis. For these reasons, we urge Congress to quickly enact S. 1475.

Attachment I

ANALYSIS OF

THE DEPARTMENT OF TRANSPORTATION'S CLAIM OF THE BENEFITS ACCRUING TO THE TRUCKING INDUSTRY

FROM THE

SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

AMERICAN TRUCKING ASSOCIATIONS, INC.

JULY 1983

I. INTRODUCTION AND SUMMARY

On January 6, 1983, President Reagan signed the Surface Transportation Assistance Act of 1982 (STAA). This legislation not only included a 5-cent tax increase on gasoline and diesel, but also included substantial increases in other taxes which apply only to trucks:

- Tire taxes increased from 9.75 cents per pound to as high as 50 cents per pound over 90 pounds;
- Excise taxes on new trucks and trailers increased 33 percent from 10 percent wholesale to 12 percent retail; and
- The heavy vehicle use tax increased 700 percent from a maximum of $240 per year to $1,900 per year.

The results of these tax changes on a typical five-axle tractor semitrailer is to increase average federal highway user taxes from $1,746 per year to $4,249 in 1988.

The STAA also made changes in truck weight, length, and width limits:

- The STAA requires 80,000 pounds gross vehicle weight (gvw) limits nationwide. Prior to STAA, three states -- Illinois, Arkansas, and Missouri -- did not permit 80,000 pound gvw vehicles;
- The STAA provides for nationwide operation of twin trailer combinations consisting of two 27- or 28-foot trailers pulled by a tractor. Prior to passage of STAA, 14 states in the East did not allow the operation of such vehicles (which had operated extensively in the West); and
- The STAA removed the restrictions against operation of the 60-foot tractor semitrailer combination and the 65-foot twin trailer combination by allowing states to set trailer and semitrailer length limits only, providing those limits are no less than 48 feet for semitrailers operating in a tractor semitrailer combination, and not less than 28 feet per trailer in a twin trailer combination. Companion legislation increased the maximum vehicle width permitted from 96 inches to 102 inches.

On April 29, 1983, Secretary of Transportation Elizabeth Dole spoke before the Private Truck Council on the net impact of STAA. She stated that:

> . . . the trucking industry should show a net gain of $3.2 billion by 1985.[1]

Later in an interview published by *U.S. News and World Report*, Secretary Dole again repeated her claim:

> I do not believe the additional tax burden levied against trucks as a whole is unfair. By 1985, these larger trucks are going to improve the productivity of trucking to the tune of 4.9 billion dollars a year, we estimate. The higher user charges will cost them only 1.7 billion.[2]

The purpose of this paper is to analyze the Department of Tranportation's claim: Will the trucking industry receive a $3.2 billion productivity benefit? The trucking industry thinks not. In fact, the productivity benefit will be closer to $829 million:

TABLE I

Estimates of Net Productivity Savings
from Surface Transportation Assistance Act of 1985
(1985)
($ millions)

PRODUCTIVITY SAVINGS	DOT	ATA
Eliminate "barrier state" weight limits	$ 830	$ 379
Allow Western Doubles in East	2,310	1,466
Increase trailer lengths	850	366
Increase trailer widths	950	418
SUBTOTAL	$4,940	$2,629
INCREASED TAXES	-1,700	-1,800
NET BENEFIT	$3,240	$ 829

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[1] According to Anthony Kane, Chief, Transportation and Socio-Economic Studies Division, Federal Highway Administration on May 3, 1983, Secretary Dole's estimate was based upon a $5.0 billion total productivity saving from the size and weight package less $1.8 billion in increased user fees.

[2] "There's No Higher Mandate Than to Promote Safety," interview with Elizabeth Dole, Secretary of Transportation, *U.S. News and World Report*, May 9, 1983, p. 50.

In other words, DOT's productivity estimate is inflated by almost 100 percent. More importantly, DOT's estimate of net benefits is close to 400 percent too high.

II. BACKGROUND

Although DOT's productivity savings estimate is used extensively by the Administration in support of STAA, DOT is unable to provide tangible documentation of the methodology used in its derivation. Dominic Maio, Operations Research Analyst with the Transportation System Center, is largely responsible for the estimate and provided the mileage data used in the calculation via a phone conversation. (See Table II.)

DOT's estimates are primarily based upon a computer simulation of a scenario (labled Scenario "L" by DOT)[1/] which assumes the following:

- 65-foot twin trailers allowed on the Interstate System, nationwide; and
- 80,000 pound gvw limit allowed, nationwide.

Diversion of freight between the modes was not considered.

SAVINGS FROM ELIMINATION OF WEIGHT BARRIER STATES

DOT's barrier state estimate is overstated as a result of the following:

- Interpolation of total miles from loaded miles is based on an inflated empty mileage rate; and
- Allocation of miles saved among the affected states is improper.

[1/] System Design Concepts, Inc., "Additional Truck Size and Weight Analyses: Impact of Allowing Doubles on the Full Interstate System and Using Only the Bridge Formula (B) to Limit Gross Weight," prepared for the Department of Transportation, April 1, 1982. The input data and conclusions appearing in this report differ from those appearing in Table II. However, the assumptions are essentially the same.

TABLE II

DISTRIBUTION OF LOADED INTERSTATE VMT

SCENARIO 'L'
(millions of miles)

	WEIGHT LIMITED 1/		NOT WEIGHT LIMITED				
	Low Limit 18/22/73	High Limit 20/34/80	Partial Load High Density	General Commodity	Other Low Density	Western Doubles	TOTAL Loaded VMT 2/
1982 Base Case	4,573	8,145	5,338	5,335	7,087	2,801	34,357
Scenario L	0	12,324	5,338	3,187	7,087	4,452	33,463
Change in VMT (net)	-394		-497				-891

1/ Conventional Semitrailer Combinations and Single Units

2/ "VMT" = Vehicle Miles Traveled
Will not total; Turnpike Doubles and Triples omitted for presentation

SOURCE: Dominic Maio, Transportation System Center, U.S. Department of Transportation, Cambridge, MA.

DOT translated "loaded miles eliminated" (see change in vehicle miles traveled (VMT) of 394 million miles for weight limited vehicles, Table II) to "total miles eliminated" by assuming 32 percent empty miles. There is no basis for this empty mileage assumption. The Interstate Commerce Commission (ICC) found an empty mileage rate of 20 percent for all traffic.[1] This alone inflates the DOT estimate by 9 percent.

Further, DOT did not properly allocate miles saved among the six states having weight limits below 80,000 pounds gvw in 1981. Table II is a later modified version of Scenario F as presented in DOT's An Investigation of Truck Size and Weight Limits.[2]

Scenario F was based on the following assumptions:

- 65-foot twin trailers allowed on the Interstate and Primary System, nationwide; and
- 80,000 pound gvw limits allowed in Arkansas, Illinois, Missouri, Indiana, Mississippi, and Tennessee.

Scenario L in Table II supposedly assumes a 1982 base case while Scenario F has a 1981 base case (Indiana, Mississippi, and Tennessee changed their weight limits to 80,000 pounds in 1981).

In making the transition from Scenario F to Scenario L, DOT estimated that Indiana, Mississippi, and Tennessee contributed only 2 percent toward the productivity savings of the original six barrier states in 1981. However, as indicated in Table III, the three states that changed their limits in 1981 accounted for 53 percent of the saved miles:

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[1] U.S. Interstate Commerce Commission, Bureaus of Economics and Operations, Empty/Loaded Truck Miles on Interstate Highways During 1976, April 1977, p. 6.

[2] An Investigation of Truck Size and Weight Limits, report to the Secretary of Transportation to the U.S. Congress pursuant to Section 161 of P.L. 95-599 of the Surface Transportation Assistance Act of 1978, April 1981.

TABLE III

STATES NOT ALLOWING 80,000 POUNDS GVW, 1981-1982

MILES SAVED FROM INCREASED WEIGHTS

State	Estimated State Heavy Truck Miles (73,280 lbs. gvw) (millions)	Potential Heavy Truck Miles (80,000 lbs. gvw) (millions)	Savings in Miles (millions)
IN	1,998	1,928	70
MS	699	660	39
TN	1,428	1,375	53
Total change, 1981	4,125	3,963	162
AK	766	740	26
IL	2,517	2.441	76
MO	1,347	1,303	44
Total change, 1981-82	8,755	8,447	308

SOURCE: Roger W. Kolins and Regina T. Selva, "Potential For Conserving Fuel Through Modern Truck Size and Weight Regulations," Issues in Truck Sizes and Weights, Tachincal Report, TSW-81-1, American Trucking Associations, Inc., 1981, Table II.

The ATA estimate with adjustments for miles saved is as follows (note that the average cost-per-mile is based on an ATA estimate of $1.706/mile,[1] while DOT's average cost is $1.60/mile[2]):

1/ Regina T. Selva and Roger W. Kolins, "The Impact of Gross Vehicle Weights on Line-Haul Trucking Costs: 1981 and 1985," Issues in Truck Sizes and Weights, Technical Report, TSW-81-3, American Trucking Associations, Inc., 1981. Average cost-per-mile of $1.458 in 1981 for trucking in general is estimated from Diagram 10-2 and inflated to $1.706 in 1985 using an annual inflation rate of 4 percent [from Current Budget Estimates, Office of Management and Budget, April 12, 1983]. DOT used an inflation rate of 5 percent for 1980-85.

2/ $$\frac{\$830 \text{ million}}{[394 \text{ million miles} \times 1.32]} = \$1.60/\text{mile}$$

- DOT estimate of loaded miles saved:[1]

  394 million miles

- Total miles saved (20 percent empty mile rate):

  (394 million miles) (1.2) = 473 million miles

- Total miles saved adjusted for the three weight barrier states which changed their laws in 1981:

  (473 million miles) (.47)[2] = 222 million miles

- Total productivity savings: (1985 dollars)

  (222 million miles) ($1.706/mile) = $379 million

In summary, ATA estimates that total savings from elimination of weight barrier states, based on DOT data, will in fact be $379 million, not $830 million as claimed by DOT.

SAVINGS FROM PERMITTING WESTERN DOUBLES IN THE EAST

The following factors contributed to DOT's overestimate of productivity savings from the nationwide use of Western Doubles:

- DOT overestimated relevant cost-per-mile
  - DOT assumed all expense categories would be equally impacted by a move to Western Doubles. Some carrier costs will not be affected.
- DOT overestimated total miles impacted by 24 percent
  - DOT translated 'loaded miles eliminated' to 'total miles eliminated' by assuming 32 percent empty miles. The ICC found an empty mileage rate of 10 percent for general freight traffic.[3]

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[1] See Table II.

[2] See Table III — percent miles saved by AK, IL, and MS.

[3] ICC Empty/Loaded Study, op. cit.

ATA[1] estimated a reduction in vehicle miles of 509 million accruing from the nationwide use of Western Doubles. DOT estimated 497 million would be saved.[2] Thus, based on a reasonable empty mileage factor, ATA and DOT are in relative agreement on miles saved.

The following estimate, based on the DOT mileage results, is derived when the above discussed errors are corrected:

- DOT estimate of loaded miles saved:

  497 million miles
- Total miles saved (10 percent empty mile rate):

  (497 million miles) (1.10) = 547 million miles
- Total productivity savings: (1985 dollars)

  (547 million miles) ($2.68/mile)[3] = $1,466 million

While the total miles saved is not substantially different, the cost savings are. DOT used a higher empty mileage rate of 32 percent and a substantially higher average cost-per-mile of travel of $4.65. As a result, the DOT estimate of $2,310 million savings from nationwide use of doubles is 37 percent higher than a more reasonable estimate of $1,466 million.

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[1] Roger W. Kolins and Regina T. Selva, "Potential For Conserving Fuel Through Modern Truck Size and Weight Regulations," Issues in Truck Sizes and Weights, op. cit.

[2] See Table II.

[3] 1981 Financial and Operating Statistics, American Trucking Associations, Inc. Components of total cost impacted by increased cubic capacity include linehaul, pick-up and delivery, platform, terminal and maintenance. The adjusted cost-per-mile of $2.29 was inflated by 4 percent per year (from Current Budget Estimates) to 1985.

SAVINGS FROM INCREASED LENGTHS AND WIDTHS

The weight and Western Doubles savings were derived from DOT's computer simulation model. However, because length and width changes had not been considered in DOT's original truck size and weight analysis, the incremental impact of allowing 48- and 28-foot trailer lengths and 102-inch widths[1/] was estimated by the DOT using a "back-of-the-envelope" technique. The basis of the DOT estimates, as explained to ATA, is as follows:

A. The traffic impacted was "intuitively" derived from Table II with the results appearing in Table IV:

TABLE IV

TRAFFIC AFFECTED BY INCREASED LENGTHS AND WIDTHS

1985 Loaded Vehicle Miles Traveled (millions)

• Conventional Semis		
	General Commodity (LTL)	3,187
	Other Low Density (TL)	3,239
	Partial Truckload	2,252
	TOTAL	8,678
• Western Doubles		4,452

DOT assumed that by 1985, 50 percent of these loaded miles would benefit from the extra capacity. DOT only considered loaded miles in their estimate (i.e., they failed to make the conversion to total miles).

B. Using cost-per-linehaul-mile estimates of $2.26 and $2.42 for semis and doubles, respectively, the following dollar savings estimates were derived by DOT:

1/ Sixty-five foot twin trailer combinations consisting of two 28-foot or 28½-foot trailers pulled by standard tractors were used extensively in the Western states prior to passage of STAA. Removal of the overall length limit simply makes this combination possible with a conventional tractor. DOT, however, assumed a base case of 27 feet for Western Double combinations. The ATA estimate does not correct for this assumption and is, therefore, conservative.

TABLE V

COST SAVINGS FROM INCREASED LENGTHS AND WIDTHS

(millions of 1985 dollars)

	Length	Width
Semis	\$653 1/	\$612 3/
Doubles	\$198 2/	\$336 4/
TOTAL	\$851	\$948

1/ $[(8,678 \times 10^6)(.5)(3/45)]\ 2.26 = \$653 \times 10^6$

2/ $[(4,452 \times 10^6)(.5)(2/54)]\ 2.42 = \$198 \times 10^6$

3/ $[(8,678 \times 10^6)(.5)(6/96)]\ 2.26 = \$612 \times 10^6$

4/ $[(4,452 \times 10^6)(.5)(6/96)]\ 2.42 = \$336 \times 10^6$

There is no reason that partial truckload carriers would benefit from the increased capacity. Furthermore, DOT's assertion that by 1985, 50 percent of those miles which would be impacted by the increased capacity will benefit 100 percent of the time is unreasonable in today's economic environment.

ATA is convinced the percentage of miles which will benefit from the increased capacity will be much less. A more reasonable estimate can be derived as follows:

Assumptions:

- 1/7 of the fleet will be replaced each year (7-year useful trailer life);
- only 90 percent of extra capacity will be realized; the approximate industry load factor is 90 percent; 1/
- new replacement trailers will be favored in equipment selection decisions; the average number of miles traveled will be 20 percent higher than for those replaced; and
- total system miles will be impacted; therefore, loaded miles are converted to total miles in calculating the productivity savings.

General Calculations:

$$\begin{matrix}\text{Miles}\\ \text{Reduced}\end{matrix} = \begin{bmatrix}\text{Susceptible}\\ \text{Miles}\end{bmatrix}\begin{bmatrix}\text{Percent Miles}\\ \text{Impacted}\end{bmatrix}\begin{bmatrix}\text{Percent Extra}\\ \text{Capacity}\end{bmatrix}$$

Where,

$$\begin{matrix}\text{Percent}\\ \text{Miles}\\ \text{Impacted}\end{matrix} = \left[\frac{1}{\begin{pmatrix}\text{\% capacity}\\ \text{loaded}\end{pmatrix}\begin{pmatrix}\text{extra}\\ \text{capacity}\end{pmatrix}}\right]\begin{bmatrix}\text{increase new}\\ \text{equipment}\\ \text{average miles}\end{bmatrix}\begin{bmatrix}\text{\% fleet}\\ \text{new equipment}\\ \text{(2 years)}\end{bmatrix}$$

1/ This phenomena is discussed in Roger W. Kolins' "Truck Size and Weight Limits: Their Impact on the General Freight Common Carrier Costs and Market," Transportation Research Board Proceedings, 1977. General freight industry average estimated at 90 percent from unpublished survey results.

From Selva and Kolins, the appropriate costs are 176.7 cents-per-mile and 179.4 cents-per-mile for general freight semis and doubles, respectively. Table VI provides the calculations and results, given the adjusted inputs. It also demonstrates that using reasonable estimates of probable fleet replacement and of costs-per-mile saved, the total savings in 1985 from increased trailer length will only be $366 million, not $850 million as assumed by DOT. Savings from increased width will total only $418 million in 1985, not $950 million.

III. TOTAL PRODUCTIVITY BENEFITS ACCRUING TO THE TRUCKING INDUSTRY FROM STAA — ATA vs. DOT

Based on all of the factors, ATA concludes that the actual 1985 benefits from STAA are $2,629 million. (See Table VII.)

TABLE VII

ESTIMATES OF NET PRODUCTIVITY SAVINGS FROM SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982
1985
($ millions)

PRODUCTIVITY SAVINGS	DOT	ATA
Eliminate "barrier state" weight limits	$ 830	$ 379
Allow Western Doubles in East	2,310	1,466
Increase trailer lengths	850	366
Increase trailer widths	950	418
SUBTOTAL	$4,940	$2,629
INCREASED TAXES	-1,700	-1,800
NET BENEFIT	$3,240	$ 829

TABLE VI

PRODUCTIVITY SAVINGS FROM INCREASED WIDTH AND LENGTH

ATA ESTIMATE

Vehicle Type	Change	Susceptible Miles (millions)	Percent Miles Impacted	Extra Capacity	Total Miles Reduced 1/ (millions)	Cost-Per-Mile (cents)	Productivity Savings (millions)
Semi-trailer	45 to 48 feet	6,426	$\left[\frac{1}{(.9)(1.067)}\right]\left[1.2\right]\left[.28\right] = .35$	.9(3/45) = .060	148	176.7 2/	$262
	96 to 102 inches	6,426	$\left[\frac{1}{(.9)(1.0625)}\right]\left[1.2\right]\left[.28\right] = .35$	.9(6/96) = .056	139	176.7 2/	$246
Doubles	27 to 28 feet	4,452	$\left[\frac{1}{(.9)(1.0370)}\right]\left[1.2\right]\left[.28\right] = .36$	.9(2/54) = .033	58	179.4 3/	$104
	96 to 102 inches	4,452	$\left[\frac{1}{(.9)(1.0625)}\right]\left[1.2\right]\left[.28\right] = .35$	.9(6/96) = .056	96	179.4 3/	$172
						TOTAL	$784

1/ Assumes general freight empty mileage factor of 10%.

2/ 151.0¢/mile in 1981; @ 4% annual inflation, 176.7¢/mile in 1985, from "Impact of Gross Vehicle Weights," p. 130.

3/ 153.3¢/mile in 1981; @ 4% annual inflation, 179.4¢/mile in 1985, from "Impact of Gross Vehicle Weights," p. 130.

The ATA estimates are based on historic industry replacement factors and reasonable expectations of replacement action by 1985 based on industry finances and trailer industry capacity. Operating costs for 1981 are derived from actual ICC records and inflated by 4 percent per year to 1985. As a consequence, a reasonable estimate of savings versus tax increases is only $829 million.

This leaves perilously little net benefits for an industry which has suffered severe financial blows since 1980. Since these savings estimates are tentative, at best, and subject to full implementation of the size and weight changes in all states, the huge increase in federal taxes may easily exceed the actual benefits by 1985.

Further, motor carriers have incurred many large increases in state highway user taxes. For example, in Pennsylvania, out-of-state based truckers paid $2 per vehicle fee in 1977. Last year that fee increased to $25 and this year a new $35 per axle tax was enacted causing a further increase of $180 annually on all out-of-state vehicles — regardless of the number of miles traveled in Pennsylvania. Fleet operators in Maryland used to pay $5 per fleet. This year they are paying $25 per truck, again, regardless of the number of miles traveled. In Illinois, all trucks will pay a 20 percent increase in registration fees and face a 6¢ increase in the state's 7½ cents diesel fuel tax. State highway user taxes will undoubtedly overwhelm the small increase in productivity benefits for the trucking industry by 1985.

Attachment II

ADDITIONAL COMMENTS OF THE

AMERICAN TRUCKING ASSOCIATIONS, INC.

on the

DEPARTMENT OF TRANSPORTATION'S

Working Paper

of the

ALTERNATIVE HEAVY TRUCK USE TAX STUDY

FHWA DOCKET NO. 83-8

September 30, 1983

OVERVIEW

The National Accounting & Finance Council (NAFC) of the American Trucking Associations, Inc. (ATA) has conducted a direct mail survey of its members to ascertain the direct and indirect costs associated with a proposed federal weight-distance tax on motor vehicles, as defined by the DOT working paper.

The NAFC is an organization within ATA which represents some 1,400 accounting and financial executives in the motor carrier industry. These executives represent motor carriers of all revenue and fleet sizes as well as all types of operations throughout the United States and Canada.

The NAFC maintains working relationships and serves as liason for its members, with various financial and accounting entities affecting the trucking industry. These include the Financial Accounting Standards Board, Internal Revenue Service, Interstate Commerce Commission, Securities and Exchange Commission and others. Clearly, our members are very familiar with the federal and state taxation issues and represent a sizeable segment of the motor carrier industry.

This survey was developed primarily to analyze the costs associated with a federal weight distance tax considered to be "most feasible" by the DOT working paper, Alternative Heavy Use Tax Study.

The results of this survey are offered as an addendum to the ATA response to the DOT preliminary study and should be considered as an integral part of that document.

Sample Surveyed

NAFC surveyed 866 member motor carrier companies, to which 188 responded. Of this sample, 31 were deleted*. Thus, the analyses shown and conclusions drawn are based on a sample of 157 carriers which represents an 18% return of the population polled.

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* Twenty-nine questionnaires were returned incomplete and two stated astronomical costs which would have skewed the results. It is important to note that carriers estimating a very low administrative cost associated with compliance were not deleted.

Survey Data and Assumptions

Information gathered from each carrier included the following:

- Gross revenue for 1982
- Method of complying (manually or computerized) with current Federal Highway Use Tax (FHUT)
- Method of complying (manually or computerized) with state weight/distance taxes
- Total number of vehicles registered over 33,000 lbs. gross vehicle weight
- Estimated cost to comply with current federal highway use tax
- Estimated cost to comply with a federal weight-distance tax

Since the DOT proposal did not discuss the particulars of a federal weight-distance tax, each carrier was requested to make the following assumptions in computing estimated compliance costs:

1. Four quarterly returns per year would be required to be filed with IRS
2. Certain information would be required on the return:
    a. number of vehicles by weight category
    b. miles traveled by vehicles in each weight category
    c. tax computation using respective tax rate and miles traveled in each weight category
3. Due date for each return would be 30 days after the end of calendar quarter period
4. Each taxable vehicle would require some sort of identification document inside or outside the cab

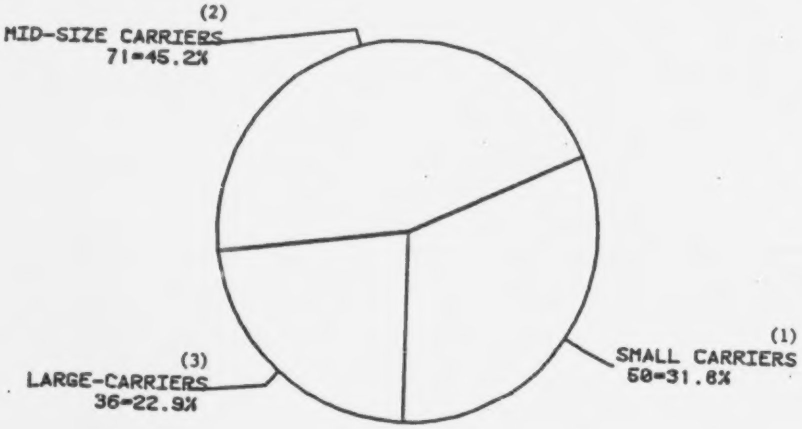
Given these assumptions, each carrier estimated the administrative cost of compliance for the current federal highway use tax (FHUT) and the proposed federal weight-distance tax (FWDT). Each carrier had to consider their own facts and circumstances. Compliance costs were stated in terms of dollars per year; and consideration was given to, but not limited to, costs incurred for (1) clerical and supervisory time required for data accumulation, preparation and review of the returns; (2) computer program maintenance (where applicable), mileage system maintenance, and equipment needs; (3) clerical and supervisory time required for filing applications and placement of vehicle identification documents; and (4) costs related to owner-operator payments and compliance (where applicable).

SURVEY RESULTS

Size of Carriers Sampled

The chart below illustrates 32% of the sample reported 1982 gross revenues below $10 million.* Forty-five percent (45%) reported revenues of $10 to $50 million, and 23% reported gross revenues of $50 million or more. The carriers sampled operate over 70,000 vehicles registered over 33,000 lbs.

CARRIER SAMPLE MAKE UP



(1) Revenues less than $10 million

(2) Revenues $10 million - $50 million

(3) Revenues $50 million or more

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* The Small Business Administration (SBA) defines a small business as one with gross revenues less than $7 million. Presently, the SBA is proposing to increase this level to $12 million. For purposes of this survey, a compromise of $10 million was used for the purposes of comparing small trucking companies with mid-size and larger carriers.

Method of Complying With Federal Highway Use Tax

For purposes of complying with the current FHUT, carriers were asked if records were kept manually, on computer or maintained by an outside service.

As illustrated below, the majority of carriers maintain their records for compliance with the FHUT on a manual basis.

This information by revenue classes indicates that the majority of small and mid-size carriers keep records on a manual basis for purposes of FHUT. However, fifty percent (50%) of the larger carriers responded that their records are computerized.

Breakdown of Compliance Method By Revenue Size for FHUT

PERCENTAGES

	Manual	Computer	Outside Service	Combination	N/A*	Total
Small (less than $10 M)	74.0	16.0	0	6.0	4.0	100.0
Mid-Size ($10-$49.9 M)	62.0	26.8	1.4	9.9	0	100.0
Large ($50 M +)	27.8	50.0	0	22.2	0	100.0
ALL CARRIERS	58.0	28.7	0.6	11.5	1.3	100.0

Note: Percentage may not add exactly to 100% due to rounding

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*Those carriers responding not applicable indicated that they use owner-operators who are responsible for compliance with the tax.

Method of Complying With State Weight-Distance Taxes

Carriers were asked what method was used for compliance with state weight-distance taxes. It is important to note that only 20% of the states have such a tax, none of which mirrors the proposed federal weight-distance tax.

As shown in the chart below, a larger number of small carriers comply on a computerized basis for state weight-distance taxes compared to those complying with the FHUT. Mid-size and large firms are generally forced to use computers or a combination of methods for compliance purposes.

This finding suggests that a federal weight distance tax would require significantly more automation costs for compliance, especially for smaller and medium size companies, than is presently required for compliance with the FHUT.

Breakdown of Compliance Method By Revenue Size for State Weight-Distance Taxes

PERCENTAGES

	Manual	Computer	Outside Service	Combination	N/A*	Total
Small (less than $10 M)	58.0	28.0	0	8.0	6.0	100.0
Mid-Size ($10-$49.9 M)	22.5	62.0	2.8	11.3	1.4	100.0
Large ($50 M +)	11.1	55.6	2.8	27.8	2.8	100.0
ALL CARRIERS	31.2	49.7	1.9	14.0	3.2	100.0

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*Carriers indicating not applicable, do not operate in states having weight-distance taxes.

Compliance Cost Per Truck

Using the survey information and cross tabulations, it was determined that the majority of small motor carriers currently incur about $15 per truck in administrative cost for purposes of complying with the FHUT. If a federal weight-distance tax were enacted, this "hidden tax" would jump to $102 per truck, which translates into a 590% increase.

A mid-size carrier currently incurs approximately $12 per truck in administrative costs to comply with the current FHUT. This would compare to an estimate of $52 per truck or a 330% increase for a federal weight distance tax.

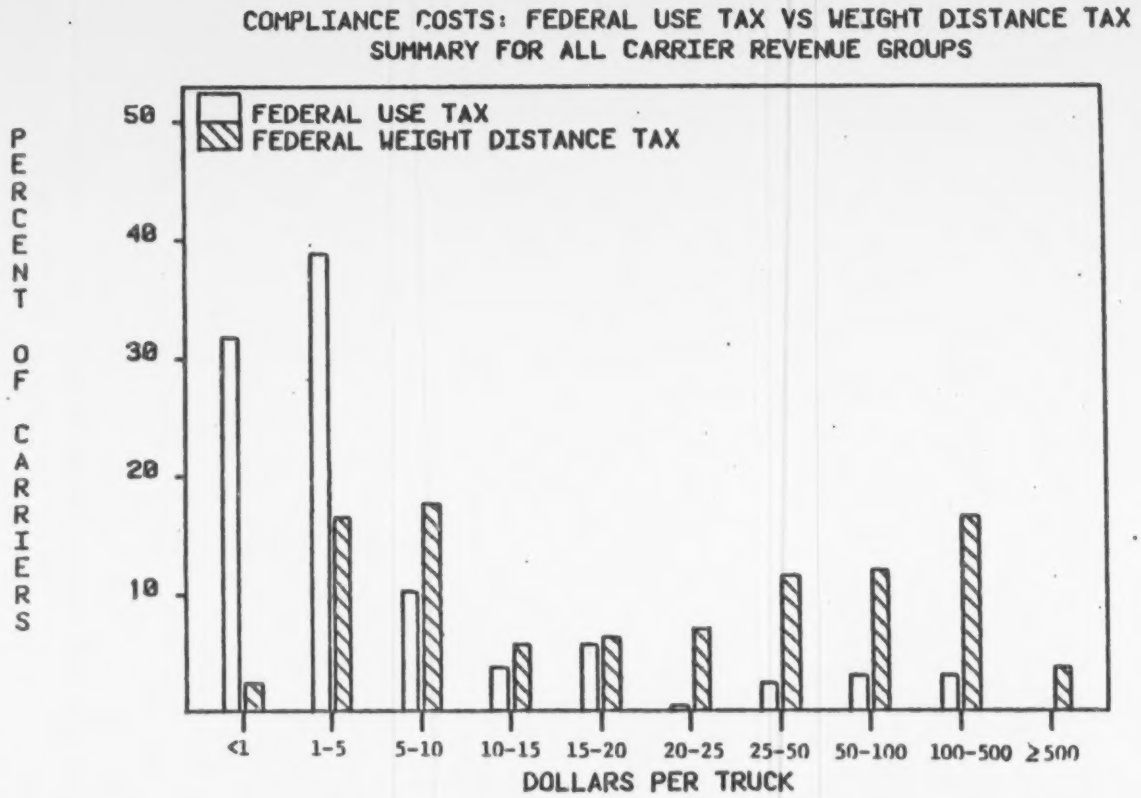
A large carrier presently incurs approximately $3.50 per truck to comply with the current FHUT, as compared to nearly $13.50 per truck for a federal weight-distance tax or 290% more.

Clearly, a federal weight distance tax would substantially increase the compliance cost for all carrier revenue groups.

Exhibits 1 through 4 illustrate the compliance cost for the federal use tax compared to a weight-distance tax, summarized for all carrier revenue groups and broken down for each revenue group. Notice that for each revenue group the compliance cost for most carriers is less than $5 per truck. The impact of a weight distance tax widens the range of cost per truck putting an additional burden among all carriers.

Exhibits 5 and 6 highlight the effect of each tax among all three revenue groups. Currently, all carriers incur relatively low compliance costs for the use tax; however, the impact of a federal weight-distance tax would be felt significantly by carriers with revenues less than $50 million, with particular effect on the smaller carriers under $10 million.

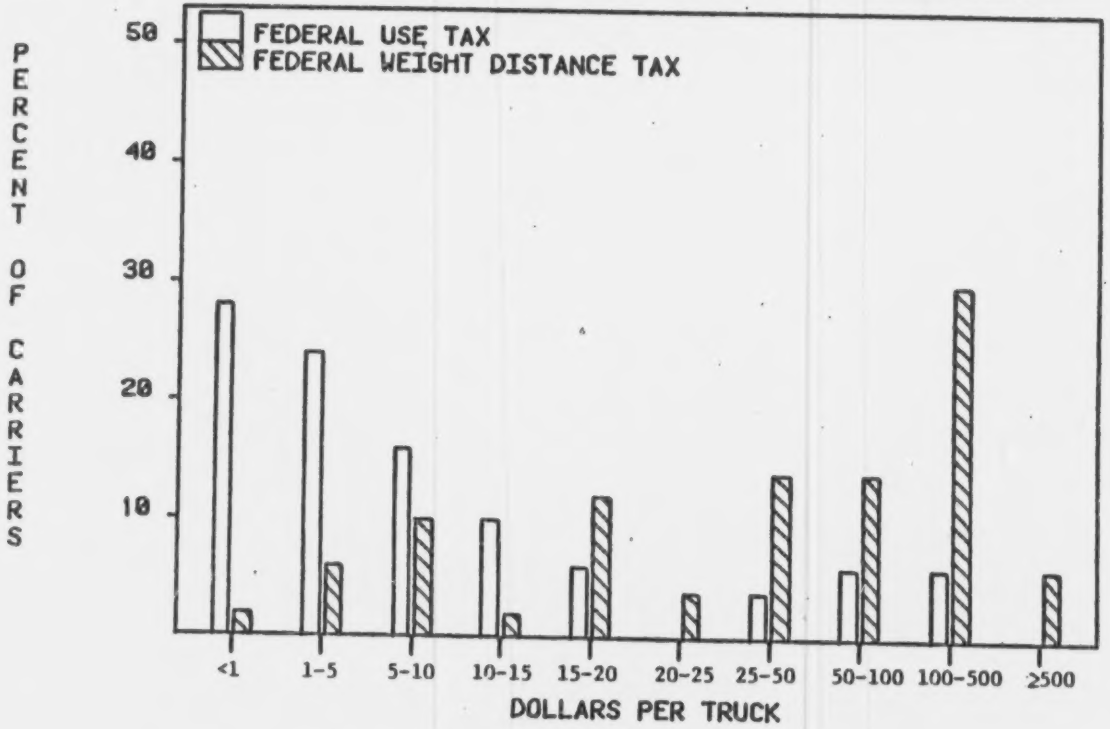
Exhibit 1



A proposed federal weight distance tax would cost significantly more per truck for a larger percent of the carriers surveyed than the current federal highway use tax.

Exhibit 2

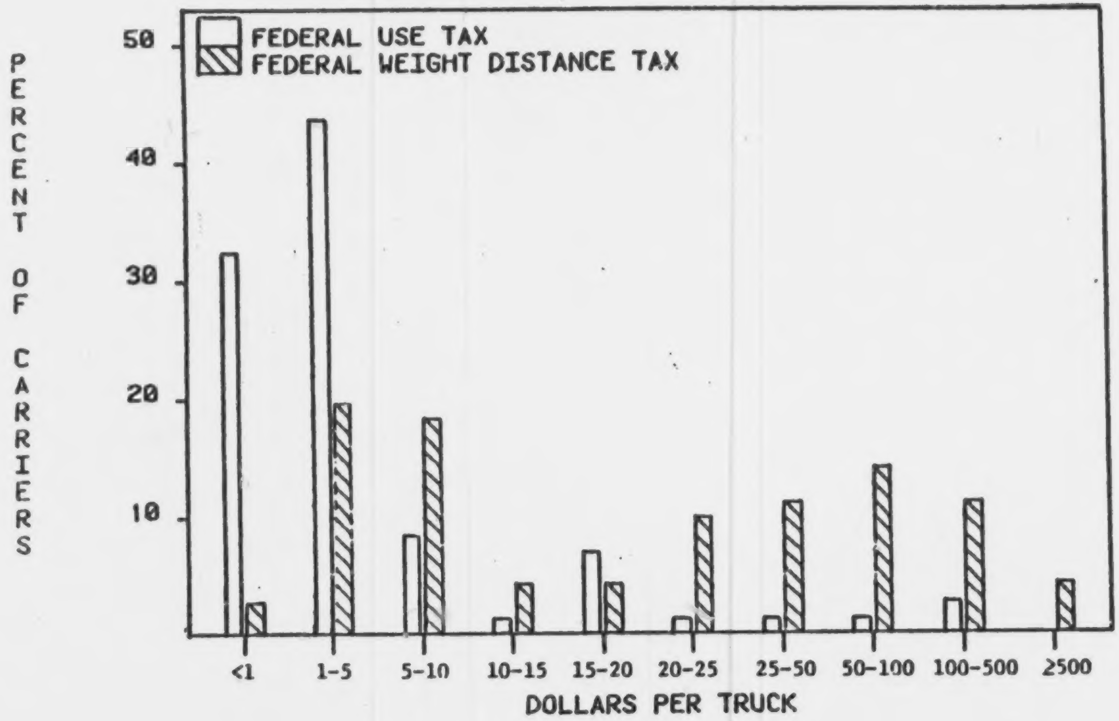
COMPLIANCE COSTS: FEDERAL USE TAX VS WEIGHT DISTANCE TAX
CARRIERS WITH REVENUES LESS THAN $10 MILLION



Smaller carriers in particular would be severely impacted by a new federal weight distance tax since a large percentage of them would pay more per truck than under the federal highway use tax.

Exhibit 3

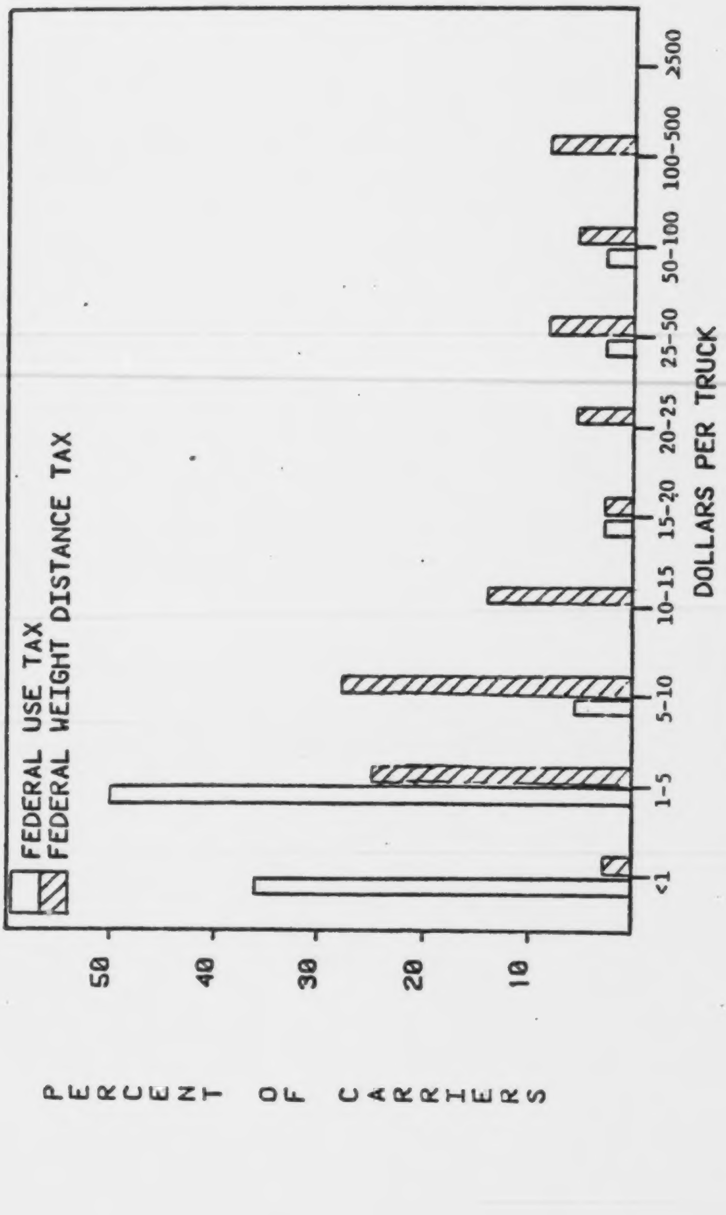
COMPLIANCE COSTS: FEDERAL USE TAX VS WEIGHT DISTANCE TAX
CARRIERS WITH REVENUES $10 MILLION - $50 MILLION



Medium size carriers would also be significantly affected in terms of cost per truck.

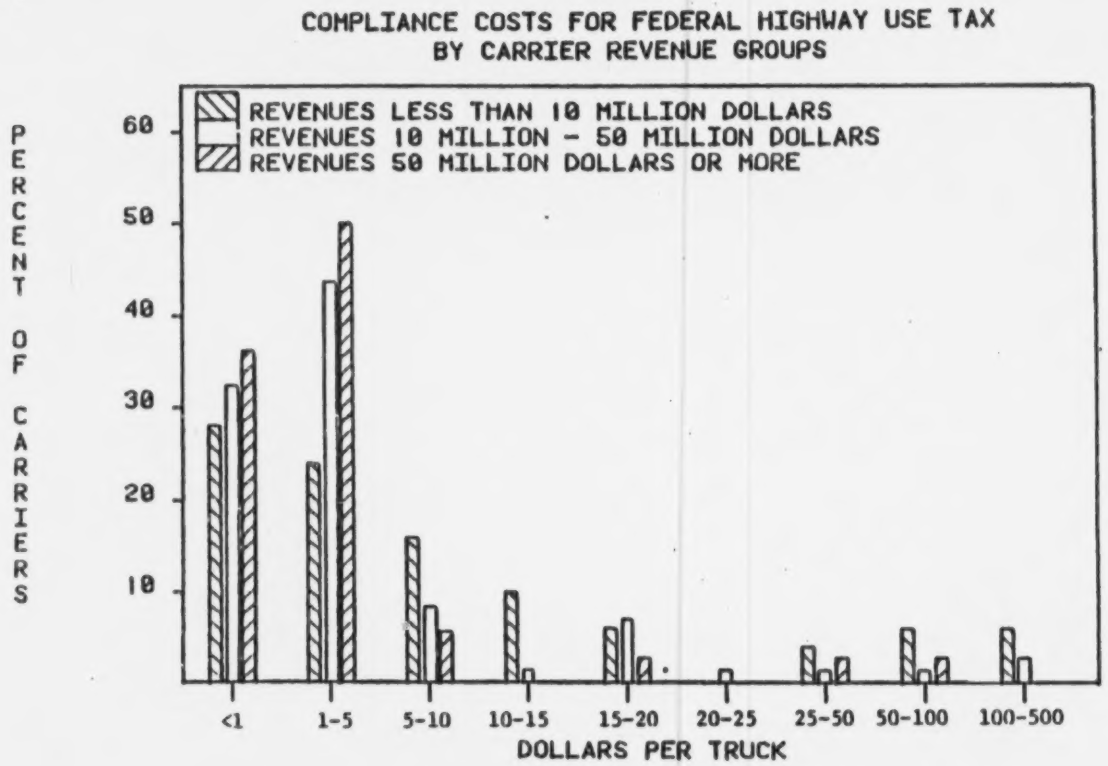
Exhibit 4

COMPLIANCE COSTS: FEDERAL USE TAX VS WEIGHT DISTANCE TAX
CARRIERS WITH REVENUES $50 MILLION OR MORE



Larger motor carriers would still be affected, but much less than the smaller or medium sized carriers.

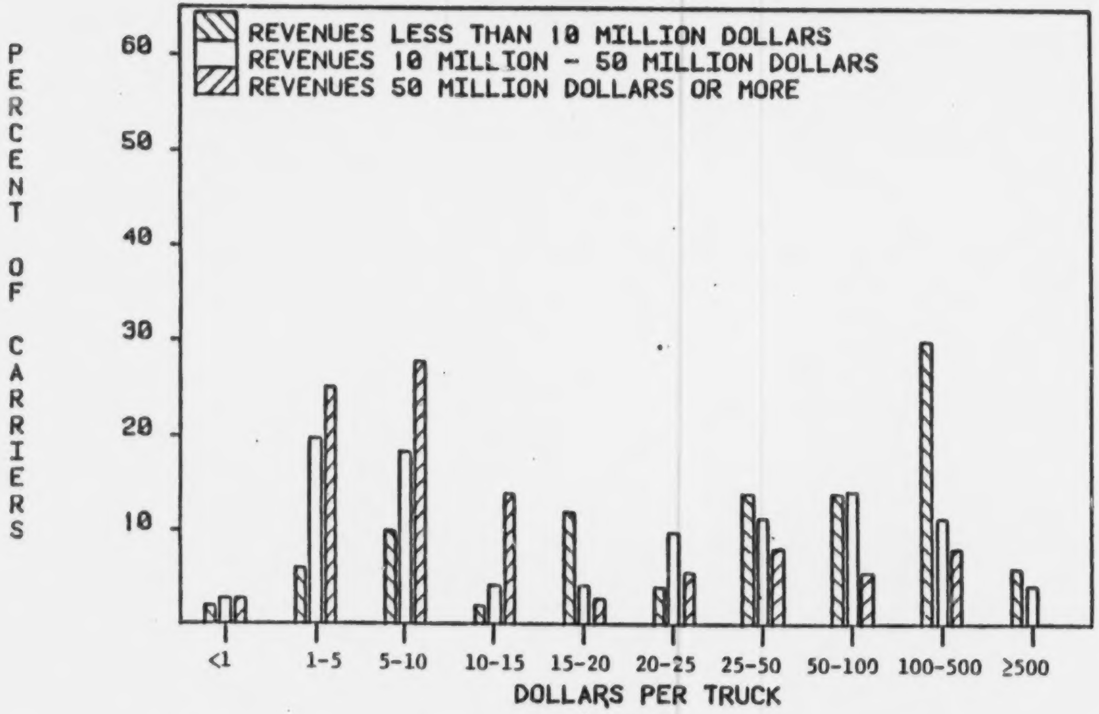
Exhibit 5



Compliance costs of the present federal highway use tax is very low for all three revenue groups.

Exhibit 6

COMPLIANCE COSTS FOR FEDERAL WEIGHT DISTANCE TAX
BY CARRIER REVENUE GROUPS



Compliance cost of a proposed federal weight distance tax is much higher for all revenue groups, in particular the smaller motor carriers.

CONCLUSION

In summary, a federal weight-distance tax would impose an unjustifiable and prohibitive administrative burden on the motor carrier industry.

Conclusions drawn from this survey clearly demonstrate that the heaviest burden to comply with such a tax would be borne by the small and medium size carriers, of which the majority are not sufficiently automated to comply with a federal weight-distance tax.

Our analysis can in no way be construed to support the present FHUT. On the contrary, we believe that the size of the FHUT is onerous and unfair as we have previously stated.

We merely are presenting the results of a survey which demonstrate how unprepared our industry is in terms of automation to comply with a federal weight-distance tax and how expensive such a tax would be on an industry already suffering from the ills of deregulation and recession.

We did not even attempt to define the problems and administrative costs that would occur for the Department of Treasury in administering a federal weight distance tax. Obviously, at a minimum, a uniform mileage system would have to be developed, a system to deter evasions would be required and a sizable bureaucracy for collection and administration would evolve. Certainly, this runs counter to the Administration's desire to curb excess spending and bureaucratic red-tape.

We continue to support wholeheartedly a diesel differential concept for a fair and equitable highway tax vehicle and offer it as the only viable alternative to the present FHUT. The administrative costs would be minimal, the enforceability much more reliable and the burden of the tax would be spread on a fair and equal basis.

AMERICAN IRON & STEEL INSTITUTE ■ AMERICAN MEAT INSTITUTE ■ AMERICAN PULPWOOD ASSOCIATION ■ AMERICAN SOYBEAN ASSOCIATION ■ AMERICAN TRUCKING ASSOCIATIONS, INC. ■ EASTERN INDUSTRIAL TRAFFIC LEAGUE ■ FARMERS UNION CENTRAL EXCHANGE, INC. ■ FLORIDA CITRUS MUTUAL ■ FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION ■ FOOD MARKETING INSTITUTE ■ FOREST PRODUCTS TRUCKING COUNCIL ■ INDEPENDENT TRUCKERS ASSOCIATION ■ INDEPENDENT TRUCK OWNER-OPERATORS ASSOCIATION ■ INSTITUTE OF SCRAP IRON AND STEEL ■ MARYLAND INDEPENDENT TRUCKERS AND DRIVERS ASSOCIATION ■ MINNESOTA ASSOCIATION OF COOPERATIVES ■ MINNESOTA DEPARTMENT OF AGRICULTURE ■ NATIONAL AMERICAN WHOLESALE GROCERS ASSOCIATION ■ NATIONAL ASSOCIATION OF BRICK DISTRIBUTORS ■ NATIONAL ASSOCIATION OF WHEAT GROWERS ■ NATIONAL BROILER COUNCIL ■ NATIONAL CATTLEMEN'S ASSOCIATION ■ NATIONAL FARMERS UNION ■ NATIONAL FEDERATION OF MILK HAULERS ASSOCIATIONS ■ NATIONAL INDUSTRIAL TRANSPORTATION LEAGUE ■ NATIONAL MEAT ASSOCIATION ■ NATIONAL MOVING AND STORAGE ASSOCIATION ■ NATIONAL READY MIXED CONCRETE ASSOCIATION ■ NATIONAL SAND AND GRAVEL ASSOCIATION ■ NATIONAL SOLID WASTES MANAGEMENT ASSOCIATION ■ NATIONAL TRUCK WEIGHT ADVISORY COMMITTEE ■ NATIONAL TURKEY FEDERATION ■ OWNER-OPERATORS INDEPENDENT DRIVER ASSOCIATION ■ POULTRY AND EGG INSTITUTE OF AMERICA ■ SOUTHERN HARDWOOD TRAFFIC ASSOCIATION ■ TRUCKERS ACTION CONFERENCE ■ TRUCK RENTING AND LEASING ASSOCIATION ■ TRUCK TRAILER MANUFACTURERS ASSOCIATION ■ UNITED FRESH FRUIT AND VEGETABLE ASSOCIATION ■ U.S. CUSTOM HARVESTERS, INC.

Coalition for Equitable Truck Taxes

January 23, 1984

Dear Senator:

In the hectic, closing days of its second session, the 97th Congress passed the Surface Transportation Assistance Act which imposes excessive increases in the highway taxes paid by the trucking industry. In addition to the five-cent-per-gallon increase in the Federal fuel tax, the legislation raises the heavy vehicle use tax from a maximum of $240 per year to $1,600 annually effective July 1, 1984, and, ultimately, $1,900 per year in 1988.

The associations listed below support an alternative method for financing the revenues needed to meet the goals and objectives of the STAA. Rather than increase the heavy vehicle use tax, which is a lump sum, up-front tax bearing no relationship to highway use, we prefer a diesel differential tax. We believe that a diesel differential tax is a more equitable means of achieving our mutual goal of an effective and efficient national highway network.

S. 1475, introduced by Senator Wallop would substitute a five-cent-per-gallon diesel differential tax on trucks weighing more than 10,000 pounds for the heavy vehicle use tax. By doing so, the bill accomplishes four objectives:

- Raises approximately the same amount of money from the trucking industry as is to be paid by the industry in the use tax;
- Returns user funding of highway projects to a pay-as-you-go basis;
- Establishes a taxing mechanism which is easily administered and provides little opportunity for non-compliance; and
- Establishes tax rates for the trucking industry which are equitable and more affordable.

Because the detrimental increases in the heavy vehicle use tax take effect on July 1, 1984, there is but a limited time to act. We urge you to support early passage of S. 1475.

Sincerely,

The Coalition for Equitable Truck Taxes

Robert B. Peabody
American Iron & Steel Institute

C. Manly Molpus
American Meat Institute

Kenneth S. [illegible] Jr.
American Pulpwood Association

John Baize
American Soybean Association

Bennett C. Whitlock Jr.
American Trucking Associations

Donald L. Hanson
Eastern Industrial Traffic League

[illegible] J. McLaren
Florida Citrus Mutual

[illegible] Exec. V.P.
Florida Gift Fruit Shippers
Association

Richard Lewis
Forest Products Trucking Council

Joy B. Fitzgerald, Natl. Dir.
Independent Truckers Association

Marshall Siegel
Independent Truck Owner-Operators
Association (I-TOO)

Institute of Scrap Iron
and Steel

Rita Bontz, President,
Maryland Independent Truckers and
Drivers Association

Edward E. Slettom
Minnesota Association of
Cooperatives

Jim Nichols
Minnesota Department of
Agriculture

National American Wholesale Grocers
Association

Walter Galanty
National Association of Brick Distributors

National Association of Wheat Growers

George B. Watts
National Broiler Council

National Cattlemen's Association

Robert J. Mullins
National Farmers Union

Mills M. Kersey
National Federation of Milk Haulers Association

Edward Andersen
National Grange

James E. Bartley
National Industrial Transportation League

National Meat Association

T. Peter Ruane
National Moving and Storage Association

Kenneth E. Tobin
National Ready Mixed Concrete Association

Kenneth E. Tobin
National Sand and Gravel Association

Eugene J. Wingerter
National Solid Wastes Management Association

Charles M. Fox
National Truck Weight Advisory Committee

National Turkey Federation

James Johnston
Owner-Operators Independent Driver Association

Lee Campbell
Poultry and Egg Institute of
America

Southern Hardwood Traffic
Association

Theodore E. Brooks, Director
Truckers Action Conference

Truck Renting and Leasing
Association

Charles J. Galvin Pres.
Truck Trailer Manufacturers
Association

United Fresh Fruit and Vegetable
Association

J. L. Pelliet
U. S. Custom Harvesters, Inc.

354 Hamm Building
P.O. Box 43640
St Paul, MN 55164
(612) 222-3753

FINANCIAL IMPACT OF THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982 (STAA) ON MRFY CORP. (A TRANSPORTATION HOLDING COMPANY)

A. Business description

B. Overview of operating properties

C. Financial impact of STAA

A. Business

MRFY Corp. (Company) was incorporated on June 5, 1982 under the laws of Minnesota for the purpose of facilitating the management of operating companies, better utilization of financial and management resources, and development of other business opportunities. The Company currently owns substantially all of the stock of Murphy Motor Freight Lines, Inc. (Murphy) and all of the stock of Castle Contract Carrier, Inc. and Green Streak Services, Inc.

Murphy is a regular route, common carrier of general commodities, operating under certificates of convenience and necessity issued by the Interstate Commerce Commission and various state regulating commissions. Incorporated in Minnesota in 1913, Murphy has expanded through a series of acquisitions of other companies and recently through the addition of terminals in new service areas. Murphy is a regional and interregional carrier serving the eastern two-thirds of the United States through a system of 73 terminals.

Murphy serves over 18,000 customers, with no one accounting for more than 2% of revenues. Revenues derived from less-than-truckload traffic exceed 75% of total revenues. The average length of haul is 470 miles.

Murphy employs approximately 1,100 persons. Approximately 600 are covered under the International Brotherhood of Teamsters union contract, expiring on March 31, 1985.

Castle Contract Carrier, Inc. was incorporated in 1981 under the laws of the state of Delaware. It operates as a contract carrier.

Green Streak Services, Inc. was incorporated in 1982 under the laws of the state of Delaware. It began operating as a corporation January 1, 1983 as an irregular route truckload operation.

B. Properties

Murphy maintains owned and leased operating facilities generally referred to as freight terminals. Each terminal serves a local market area and performs pick up and delivery service, freight loading and unloading across the dock, and receipt and dispatch of over-the-road units. The capacity of a freight terminal is usually determined by the number of vehicle doors. Murphy owns 22 terminals. The largest are located in Saint Paul and Chicago, having 144 and 111 doors, respectively. In addition, Murphy leases 37 terminals, the largest of which are located at Milwaukee, Wisconsin, with 31 doors, and Nashville, Tennessee, with 34 doors.

Murphy's intercity fleet consists of 201 diesel powered tractors and 1,236 40' to 45' trailers. Murphy also operates 735 city trucks, tractors, and semi-trailers, and 97 sales cars and service vehicles. Murphy's policy is to replace line haul tractors at 400,000 miles or approximately every three and one half years and line haul trailers every ten years. Tractors for local pick up and delivery are replaced generally after five to ten years and trailers after ten to fifteen years. Virtually all of the revenue equipment is owned by Murphy.

Castle Contract Carriers, Inc. and Green Streak Services, Inc. have no significant operating assets due to the nature of their operations.

C. Financial Impact of STAA

Murphy is faced with financing a $2,207,000 federal tax bill in 1988 for highway use if the STAA remains intact. This is a $903,000 increase, or 69%, over pre-STAA law. The operating ratio impact of federal highway taxes will jump from 1.2 points under pre-STAA law to 2.1 points under the STAA provisions. Our corporate thrust, to a large degree, over the next four years will be to provide enough cash flow to support this tax bill, instead of providing new opportunities for employment, growth and investment.

H.R. 2124 tempers the impact of increased federal taxes in an equitable manner. Our fair share for federal highway taxes would be $1,852,000 by 1988, or a 42% increase over pre-STAA law. The operating ratio impact of federal highway taxes would increase from 1.2 points under pre-STAA law to 1.7 points under H.R. 2124.

H.R. 2124 is no bargain for the trucking industry but it certainly is a fair compromise over the very onerous provisions of the STAA. H.R. 2124 will save us $355,000 over the STAA cost. This represents enough savings to invest in 7 additional Mack road tractors that we utilize in our linehaul operation.

See attached table for detailed cost comparison.

MRFY Corp.
Cost Comparison of Pre-STAA Law to the STAA and H.R. 2124
($000's)

	YEAR 1988		
	Pre-STAA Law	STAA	HR2124
Diesel	$ 287	$ 651	$ 826
New Trucks and Trailers	801	909	909
Tires	49	117	117
Heavy Vehicle Use Tax	91	530	0
Weight-Distance Tax	0	0	0
Retreads	7	0	0
Lube Oil	6	0	0
Truck Parts	63	0	0
	$ 1,304	$ 2,207	$ 1,852
Additional Cost of STAA and H.R.2124	$ -	$ 903	$ 548
Percentage Increase over Pre-STAA Law	-	69%	42%

1988 federal tax rates applied to 1984 assumed operating statistics.

commercial
carrier corporation

BILL BOSTICK
President

February 3, 1984

Senator Robert Dole, Chairman
Committee on Finance
United States Senate
Senate Office Building
Washington, D. C. 20510

Dear Senator Dole:

Our company is a common carrier operating primarily in Florida delivering building products. Our wholly-owned subsidiary Clay Hyder Trucking Lines, Inc. transports refrigerated food products throughout the continental United States. In 1983 on revenues of $64,775,000 our net income before income taxes amounted to $4,285,000. The Federal Highway Use Tax effective July 1, 1984 results in an increase of $1,218,000 annually on our 870 tractors. This would reduce our net income to $3,067,000.

Alternatively, during 1983 we consumed 12,636,000 gallons of diesel fuel and a five cent per gallon tax differential would amount to $631,800.

We urge your support of the diesel tax differential as contained in S.1475, rather than the burdensome use tax.

Sincerely,

Bill Bostick

BB:cs

/ / / SERVICE ALWAYS · ALL WAYS / / /
502 EAST BRIDGERS AVENUE / POST OFFICE DRAWER 57 / AUBURNDALE, FLORIDA 33823

CAROLINA FREIGHT CARRIERS CORPORATION
CHERRYVILLE, NORTH CAROLINA 28021

CARLISLE JACKSON
TREASURER

February 3, 1984

Senator Robert Dole
Chairman Senate Finance Committee
U. S. Senate
Washington, D. C. 20510

Dear Senator Dole:

The following table reflects the annual impact on our cost of the various tax increases resulting from the passage of the Surface Transportation Assistance Act of 1982 (STAA). The table also reflects the impact of the proposed additional tax on diesel fuel.

	Cost Prior to STAA	Cost Reflecting STAA		Proposed Diesel Tax Increase
		July 1, 1984	July 1, 1989	
Federal Highway Use Tax	$ 373,082	$2,073,410	$2,363,138	
Proposed Diesel Tax				$ 955,095
Other Taxes Included in STAA	2,487,492	3,352,384	3,352,384	3,352,384
Total Increase	$2,860,574	$5,425,794	$5,715,522	$4,307,479

The above table shows that the impact of STAA is an annual cost increase effective July 1, 1984 of $2,565,220, or 89.7%. When fully implemented in 1989, the increase would amount to $2,854,948, or 99.8%. The highway use tax portion will increase from $373,082 to $2,363,138, an increase of 533.4%.

We contend that the highway use tax increase under STAA is exorbitant and unfair to the motor carriers. The increases would apply equally to each power unit regardless of miles run. This would place an extreme hardship on companies during recessionary periods when they can least afford it. The STAA increases would have reduced Carolina's net earnings for 1982 by 23.4%.

The proposed diesel fuel tax increase is much more equitable and is directly related to the use of the highways. We strongly urge your support of Senate bill 1475 and House bill 2124.

Yours truly,

Carlisle Jackson

northAmerican

February 7, 1984

Mr. Bennett C. Whitlock, Jr.
President
American Trucking Associations, Inc.
1616 P Street, N.W.
Washington, D.C. 20036

Dear Mr. Whitlock:

On behalf of North American Van Lines, Inc. and its subsidiaries, the following information and comments are made pertaining to the Surface Transportation Assistance Act as passed by Congress in 1982.

HEAVY HIGHWAY USE TAX

The imposition of the Heavy Highway Use Tax (IRC SEC. 4481) will have a dramatic impact to North American Van Lines as well as its independent owner/operators. This can best be summarized by the following:

Vehicle	# of Units	1983 Use Tax Per Unit	1983 Accumulated Use Tax	1984 Use Tax Per Unit	1984 Accumulated Use Tax
Single Axle	736	$180.00	$132,480.	$800.00	$588,800.
Tandem Axle	327 (66,000#)	$222.00	$ 72,594.	$1,040.00	$340,080.
Tandem	2,536 (80,000#)	$222.00	$562,992.	$1,600.00	$4,057,600.
		TOTAL	$768,066.		$4,986,480.

The increase in the Highway Use Tax will increase the overall operating expenses of North American Van Lines at a minimum of $4,218,414. for the year 1984. However, this amount does not include the cost that the tax will have upon our agency family. It is currently estimated that the increased Highway Use Tax will cost the agency family an additional $4,000,000.

ALTERNATIVE TO THE HEAVY HIGHWAY USE TAX

The Company is in complete agreement that at no time should Congress discretionally apply a discriminatory tax against a motor carrier, an individual trucking company, and/or an independent contractor in the area of highway user fees. In addition, it is our belief that if "user fees" are needed as the source of revenue, that such fees should be paid under the concept "pay as you go."

While it appears that the diesel differential tax meets the criteria of "pay as you go," one must be concerned as to the future ease of misuse of such a tax. One such concern is that state governments may look at the diesel differential tax as the only viable means acceptable to the transportation industry for increasing state highway funding. Another item that should be mentioned is that under the Heavy Highway Use Tax (which becomes effective July 1, 1984) a special one-year delay in enactment of the tax was given to "small owner-operators." The enactment of a diesel differential tax will eliminate the one-year deferral given to the small owner/operators unless provisions are made to keep it in effect. We agree that the administrative burden of the federal highway use tax can be eliminated if a diesel differential tax is imposed as a replacement to the excise tax.

The enactment of a diesel differential tax would in all probability reduce the administrative burden to our Company as well as to the industry. However, the administrative burden can only be reduced if the federal highway use tax is totally abolished.

While there is no simple solution to the problem at hand, I am confident that an equitable solution can be reached prior to July 1, 1984.

Very truly yours,

John Moehring

John Moehring
Director of Tax

JM:lm

Mayflower

RICHARD L. RUSSELL
PRESIDENT

February 2, 1984

Mr. Bennett C. Whitlock, Jr.
President
American Trucking Associations, Inc.
1616 P Street N.W.
Washington, D.C. 20036

Dear Mr. Whitlock:

We are enclosing a schedule of our leased fleet's estimated costs for federal highway use tax and fuel taxes. These estimated costs are computed for a six year period based on what they would be under prior law, present law, and the proposed alternative. The proposed alternative would include a 5¢ diesel differential and a $3/1,000 pounds use tax.

We recognize the proposed alternative as a more equitable method of allocating costs than that method prescribed under present law. We support the theme that the nation must raise sufficient revenue in order to properly maintain highways, but the method used should be equitable. The proposed alternative does such by taking into account the frequency of highway use.

The proposed alternative is also preferable to present law in respect to payment ease. It is easier for an owner operator to pay throughout the year rather than in a lump sum. The diesel differential would correspond to his cash flow. It is important to remember that owner operators are bearing the costs. As small businessmen, it is indeed necessary to spread the cost rather than hit them for the total at one time. Additionally, it takes a considerable amount of time for this cost to be reflected in the price to the consumer, if ever.

MAYFLOWER TRANSIT COMPANY, INC. EXECUTIVE OFFICES INDIANAPOLIS, INDIANA 46206 P.O. BOX 107-B 317 875-1000 CABLE ADDRESS MAYTRANCO

We believe that shifting the incidence of the taxes to a "pay-as-you-go" system makes sense and helps the small business persons who are so vital to the trucking industry.

Sincerely,

Richard L Russell

Richard L. Russell
President
Aero Mayflower Transit Company, Inc.

RLF:jf

COMPARISON OF FEDERAL USER FEES

ASSUMPTIONS

1. Average gross vehicle weight:

   - 72,000 pounds for 230 units
   - 60,000 pounds for all other units

2. Average miles per gallon: 5.25 mpg

3. Number of units in fleet:

   1,800 during the period 10/1/83 - 9/30/84
   1,850 during the period 10/1/84 - 9/30/85
   1,900 during the period 10/1/85 - 9/30/86
   1,950 during the period 10/1/86 - 9/30/87
   2,000 during the period 10/1/87 - 9/30/88
   2,050 during the period 10/1/88 - 9/30/89

4. No fleet turnover

5. Fleet mileage:

   92,000,000 during the period 10/1/83 - 9/30/84
   94,000,000 during the period 10/1/84 - 9/30/85
   96,000,000 during the period 10/1/85 - 9/30/86
   98,000,000 during the period 10/1/86 - 9/30/87
   100,000,000 during the period 10/1/87 - 9/30/88
   102,000,000 during the period 10/1/88 - 9/30/89

COMPARISON OF FEDERAL USER FEES

	10/1/83 Through 9/30/84	10/1/84 Through 9/30/85	10/1/85 Through 9/30/86	10/1/86 Through 9/30/87	10/1/87 Through 9/30/88	10/1/88 Through 9/30/89
PRE-STAA:						
HUT	$ 332,280	$ 341,280	$ 350,280	$ 359,280	$ 368,280	$ 377,280
FUEL TAX	700,952	716,190	731,428	746,666	761,905	777,143
TOTAL	$ 1,033,232	$ 1,057,470	$ 1,081,708	$ 1,105,946	$ 1,130,185	$ 1,154,423
STAA:						
HUT	$ 939,880	$ 1,590,400	$ 1,650,000	$ 1,740,040	$ 1,832,080	$ 1,906,520
FUEL TAX	1,577,143	1,611,428	1,645,714	1,680,000	1,714,285	1,748,571
TOTAL	$ 2,517,023	$ 3,201,828	$ 3,295,714	$ 3,420,040	$ 3,546,365	$ 3,655,091
PROPOSAL:						
HUT	$ 332,280	$ 341,280	$ 350,280	$ 359,280	$ 368,280	$ 377,280
FUEL TAX	2,453,333	2,506,666	2,559,999	2,613,333	2,666,666	2,719,999
TOTAL	$ 2,785,613	$ 2,847,946	$ 2,910,279	$ 2,972,613	$ 3,034,946	$ 3,097,279

AAA COOPER TRANSPORTATION

POST OFFICE BOX [illegible]
DOTHAN, ALABAMA [illegible]
205/79[illegible] 2[illegible]94

JUL 14 1983

July 7, 1983

G. MACK DOVE
President

Dear Ms. Dole:

I was in the audience in Washington on June 15th when you addressed the ATA Executive Committee. In your speech you said your door is always open and you invited us to express our views to you. This letter is intended to request a meeting with you and appropriate staff members at your earliest convenience.

You will find attached a paper describing our company and the impact of the Surface Transportation Assistance Act, along with suggestions for change that would accomplish the same purpose more equitably. I have also attached a brief resume of my involvement in business and community affairs so you will have a better understanding of my background.

Please contact me at your earliest convenience and establish a time and place for our meeting.

Very truly yours,

G. Mack Dove

GMD/jjn

My name is G. Mack Dove. I am President of AAA Cooper Transportation of Dothan, Alabama. I am a member of the Committee of One Hundred of the American Trucking Association and currently serve as 2nd Vice President of the Regular Common Carrier Conference of ATA. I am also a member of the Regional and Distribution Carrier Conference. I currently serve on the Executive Committee of the Highway Users Federation for Safety and Mobility.

I am an active member of the Board of the Federal Reserve Bank of Birmingham and on the Board of the Alabama Chamber of Commerce. I have served as chairman or president of numerous community organizations, including church, civic and business organizations.

BACKGROUND INFORMATION

AAA Cooper Transportation is a for hire common carrier operating in nine states in the southeast. We are referred to as a regional distribution carrier in trucking jargon. The nature of our business is to pick up and deliver shipments moving between cities in our service area.

Our fleet consists of 791 trailers, 373 tractors, and 78 straight trucks. We operate 40 terminals employing 1100 people. Our average length of haul is 250 miles.

Our average shipment weighs 1207 lbs. Less than one per cent of our shipments weigh more than 20,000 lbs. although these truckload shipments represent nine per cent of our sales dollars. Our company picks up and delivers an average of 3600 shipments each day. Our service area includes all cities in the states of Alabama, Georgia, Florida, North Carolina, and South Carolina. In addition, we serve many cities in the adjoining states of Mississippi, Tennessee, Louisiana and Texas.

Briefly, it is our business to pick up small shipments in the area described and take them to a consolidation point. We then assemble the shipments according to their destinations and deliver them. It is important to understand that our service area covers every nook and cranny of the states named in our service area.

Our tractor fleet numbering 373 consists of 150 linehaul (LH) units and 223 pick up and delivery (P and D) units. All of our tractors are tagged and otherwise qualified for the maximum legal weight (80,000 lbs.) although the average weight, including payload, is 55,000 lbs.

Our market is primarily an overnight service market. Typically, a LH tractor would run between terminals at night pulling a trailer containing shipments to the destination terminal service area. The LH tractor is used in P and D service the following day on occasions, but since it cannot be depended upon to be in any particular city at a specific time, it generally is used only in linehaul service. It averages 120,000 miles each year.

P and D tractors are used to haul freight within the terminal service area in which the tractors are domiciled. Typically, a terminal serves a radius of 100 miles or so, although there are glaring exceptions, depending on population and market share. A tractor used in the P and D function is sometimes an older linehaul tractor. Our policy is to keep a tractor 7 years from date of purchase, using it 3 or 4 years in linehaul and the balance of its life in P and D service. Our experience is that a combination of wear and tear and obsolescence dictates a 7 year trade policy as being optimum utilization for our purposes. Additionally, we operate lighter weight tractors that are used purely in the P and D function. These also are tagged and otherwise qualified to haul the maximum allowable weight. Our P and D tractors average 26,000 miles each per year. Our linehaul tractors average 6 miles per gallon of fuel and our P and D tractors average 4.5 miles per gallon.

That portion of the Surface Transportation Assistance Act which raises the use tax to $1900 per truck per year is particularly onerous and unfair to AAA Cooper Transportation. That tax amounts to a property tax on the vehicle and cannot be justified as our fair share portion for highway damage.

As has been shown, 223 of our tractors operate low mileage (26,000 miles per year), mostly on city streets. These tractors spend a great deal more time parked in a lot to load or unload than moving over the public highways. The current use tax on our tractor fleet amounts to $70,020 annually. After STAA has been fully implemented, the annual tax on that same fleet will be $708,700. That calculates to an annual increase of $638,680. Surely, that is not my company's fair share for highway maintenance. Moreover, as I understand the law, we would be required to pay that amount on July 1, in advance.

It simply is not fair to my company for a "head tax" to be levied on a per truck basis, disregarding the work the truck performs. The fact that we utilize P and D equipment only 26,000 miles per year does not mean we are inefficient, that simply is the nature of the work we do.

The fuel tax increase of 5 cents per gallon increases our annual tax payments by $214,224. I have no particular quarrel with the fuel tax as it is levied on the user as it should be. The total amount of tax paid is commensurate with the amount of work done. Also, it is paid "as you go" and as revenue is generated rather than up front.

PRODUCTIVITY GAINS

The productivity gains that your study claims as a result of increased length and width are invalid as it relates to AAA Cooper Transportation. We cannot take advantage of the increases for two reasons.

(1) We utilize our trailers indiscriminately in both the LH and P&D function. Unlike tractors, there is no separate P&D fleet and LH fleet. Consequently, our trailers must be qualified to be operated in every remote area of the states we serve. The designated highway portion of the law precludes the operation we need. The only way we could utilize the added length and width allowed under the law is to own 2 separate fleets of LH and P&D trailers and that is not practical in a 250 mile haul environment.

(2) We utilize piggyback to and from Miami except that when there are return loads available, we run over the highway. Currently, we load an average of 26 loads a day to Miami and 6 loads a day from Miami; therefore, we pig 20 trailers a day to and from Miami. Railroads can handle 2 45 ft. trailers on one car. They can handle only one 48 ft. trailer per car. Because of this, the cost on a 48 ft. trailer is twice the cost of a 45 ft. trailer, rendering it useless.

We have no experience in the use of doubles, but they too would be limited to designated highways. Additionally, our linehaul costs represent only 26% of our total costs. The remaining 74% of costs are generated by terminal activity, including buildings, people, and equipment. An increase in productivity in the area of linehaul would not be particularly beneficial in our environment. An increase in P and D costs, however, is substantially significant.

CONCLUSION

This paper has not addressed the impact of the 12% excise tax or any of the other taxes levied in STAA. Here we are dealing only with the use tax and the fuel tax. Obviously, distribution carriers such as AAA Cooper Transportation produce less sales dollars per truck operated than the average truck user. But the cost to our company on only use taxes and fuel taxes, when fully implemented, will be $1,094,437 annually, up from $241,533, an increase of $852,904.

I cannot seriously quarrel with the fuel tax because it is applicable to all and is fair in that respect. The use tax, however, is not a fair tax in any way as it does not assess tax burden commensurate with opportunity to damage. Equally important, we receive none of the benefits of increased productivity because we are precluded from using the larger equipment on the streets and highways on which we work. All of the productivity benefits accrue to the longer haul carrier who is more adversely impacted by the fuel tax than by the use tax. Even if the larger equipment could be used universally, its benefits would be limited to our company.

I understand and appreciate the need for an adequate and well maintained highway system and will not complain if properly assessed a fair share. Please meet with me if you see fit to discuss our situation in greater detail.

The fairest tax, in my opinion, is to place the burden to pay on the user. Tax diesel fuel and/or gasoline by whatever amount is necessary to get the job done.

**AMERICAN
TRUCKING
ASSOCIATIONS, INC.**
1616 P Street, N.W., Washington, D. C. 20036

PRESIDENT
Bennett C. Whitlock, Jr.
(202) 797-5212

February 16, 1984

The Honorable Robert Dole
Committee on Finance
U.S. SENATE
Senate Office Building
Washington, DC 20510

Dear Senator Dole:

The purpose of this letter is to supplement my recent testimony on S. 1475 and other possible alternatives to the heavy vehicle use tax. As I indicated in my testimony, the trucking industry will be adversely impacted by the significant increase in the use tax contained in the Surface Transportation Assistance Act of 1982 (STAA). The industry is requesting that the method of taxation be changed to more accurately reflect use on a pay-as-you-go basis. We believe S. 1475 meets this objective.

The trucking industry, however, opposes a large heavy vehicle use tax when combined with a diesel differential. The Department of Transportation's (DOT) Option #4 increases the heavy vehicle use tax from the pre-STAA maximum of $240 per year to $650, a 171 percent increase. In 1985, of the $3,242.3 million paid by combination trucks (according to DOT), 36 percent of the taxes will remain on a fixed, lump-sum basis, while 64 percent will be on a pay-as-you-go basis. 1/

For a typical five-axle tractor semitrailer, 2/ the use tax coupled with an amortized excise tax will constitute 41 percent of the $3,930 in federal highway user taxes. The remaining 59 percent will be on a pay-as-you-go basis.

1/ DOT Option #4 -- All Combinations - 1985

Fuel	$1,901.2 million	(58.6%)
Tire	159.9 million	(4.9%)
Excise	857.1 million	(26.4%)
Use	324.2 million	(10.0%)
TOTAL	$3,242.3 million	(100.0%)

2/ DOT Option #4 -- 5-Axle Tractor Semitrailer
78,000 lbs. gvw -- 70,000 annual miles

Fuel	$2,187	(55.6%)
Tire	143	(3.6%)
Excise	998	(25.4%)
Use	602	(15.3%)
TOTAL	$3,930	(100.0%)

A National Federation Having an Affiliated Association in Each State

As I indicated in my testimony, a diesel differential does reflect changes in gross vehicle weight (gvw). The heavier the vehicle, the fewer miles per gallon; the higher the mileage, the more tax paid. As Figure I indicates, for each 10,000 pound increase in gross vehicle weight for a five-axle tractor semitrailer, there is a 4.6 percent increase in the fuel consumed. A vehicle at 30,000 pounds gvw averages 6.4 miles per gallon, while a vehicle at 80,000 pounds gvw will average only 4.71 miles per gallon. 3/

Finally, the industry is opposed to any heavy vehicle use tax which does not apply to vehicles between 33,000-55,000 pounds gross vehicle weight. The basis for the DOT highway cost allocation study is the premise that axle weights -- and not gross vehicle weights -- damage highways. Yet, DOT Options #4, 5, 6, and 7 do not apply the heavy vehicle use tax to vehicles under 55,000 pounds, even though they may have the same axle weights as vehicles above 55,000 pounds.

For example, Figure II shows a three-axle concrete mixer. This vehicle averages 20,000 pounds on the front axle and 34,000 pounds on the rear tandem axle for a gross vehicle weight of 54,000 pounds. A typical five-axle tractor semitrailer carries 10,000 pounds on the front axle and 34,000 pounds on the remaining two tandem axles for a gross vehicle weight of 78,000 pounds. Under DOT Option #4, the first vehicle pays no heavy vehicle use tax, while the second pays $602.

Table I lists other vehicles with comparable axle weights to so-called heavy trucks (over 75,000 pounds), which do not pay the heavy vehicle use tax. While we disagree with the DOT's highway cost allocation study, if vehicles are to be taxed on the findings of that study, then all vehicles with high axle weights should pay a heavy vehicle use tax. The tax should not apply to only those vehicles over 55,000 pounds gross vehicle weight.

I request that this letter be made a part of the record.

Sincerely,

Bennett Whitlock
Bennett C. Whitlock, Jr.

BCW:arw
Attachments
cc: Members of the Committee on Finance

3/ Five-Axle Tractor Semitrailer
GPM = .00186K + .13788
Where,
K = Gross Vehicle Weight in tons
GPM = Gallons Per Mile
Source: Regina T. Selva and Roger W. Kolins, "The Impact of Gross Vehicle Weight on Line-Haul Trucking Costs: 1981 and 1985," Issues in Truck Sizes and Weights, Technical Report, TSW-81-3, American Trucking Associations, Inc., 1981.

FIGURE I

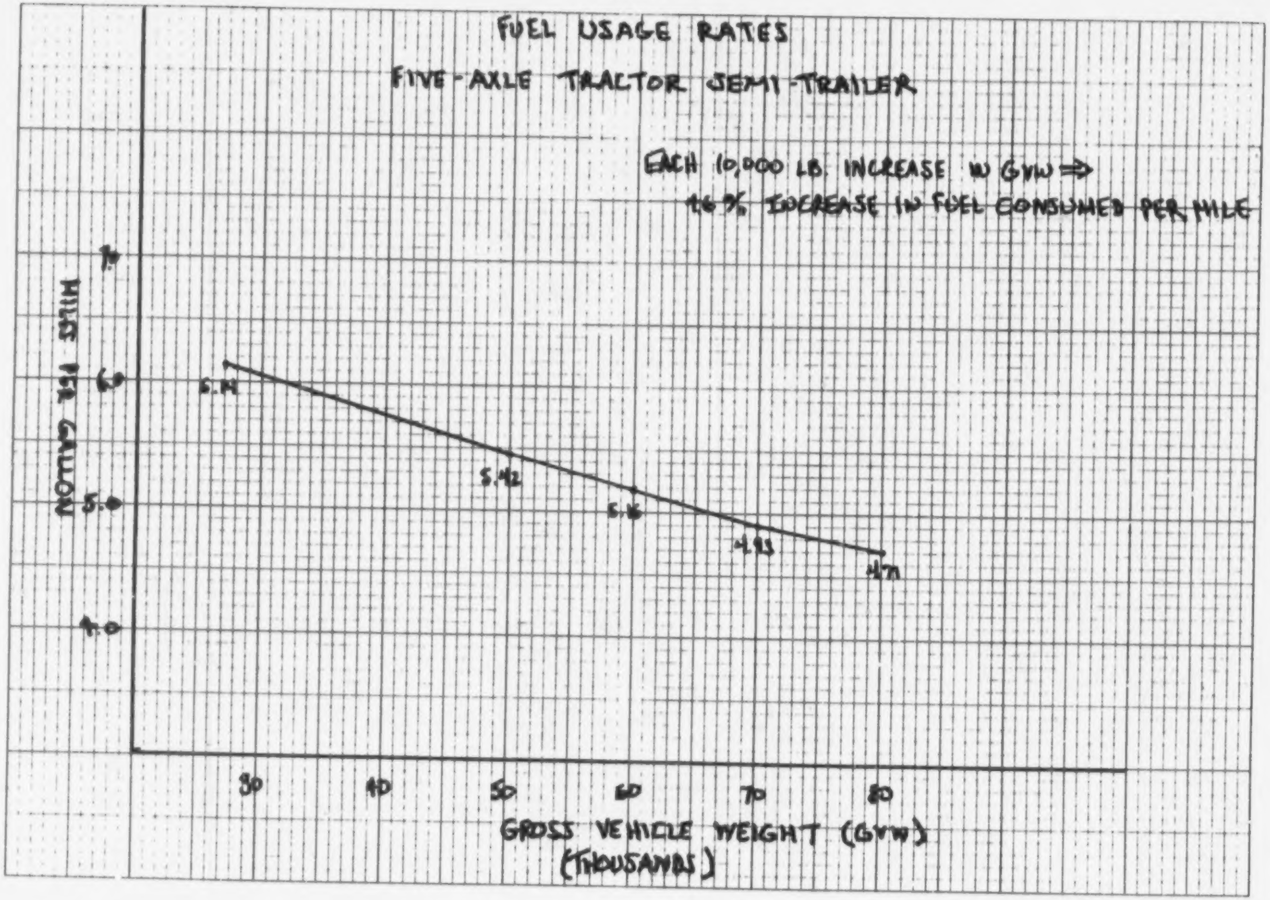

FUEL USAGE RATES
FIVE-AXLE TRACTOR SEMI-TRAILER
EACH 10,000 LB. INCREASE IN GVW ⇒
4.6 % INCREASE IN FUEL CONSUMED PER MILE
MILES PER GALLON
7.0
6.0
5.0
4.0
6.14
5.42
5.16
4.93
4.71
30
40
50
60
70
80
GROSS VEHICLE WEIGHT (GVW)
(THOUSANDS)

FIGURE II

TABLE I

Vehicles Under 55,000 lbs. gvw With High Axle Weights

Description	Single Front Axle	Single Rear Axle	Tandem Rear Axle	Gross Vehicle Weight
Dump Truck	13,000	20,000	N/A	33,000
Utility Truck	12,000	N/A	28,000	40,000
Dump Truck	10,500	N/A	34,000	44,500
Dump Truck	12,000	N/A	34,000	46,000
Trash Hauler	16,000	N/A	34,000	50,000
Cement Mixer	20,000	N/A	34,000	54,000
Five-Axle Tractor Semitrailer	10,000	N/A	34,000 34,000	78,000

N/A = Not Applicable

The CHAIRMAN. Thank you, Mr. Whitlock.

Mr. Archer.

STATEMENT OF JOHN ARCHER, MANAGING DIRECTOR, GOVERNMENT AFFAIRS, AMERICAN AUTOMOBILE ASSOCIATION, FALLS CHURCH, VA

Mr. ARCHER. Thank you, Mr. Chairman.

Three-A does not believe that the use tax on heavy vehicles should be replaced by a diesel differential. In our view, this is particularly true, because as you have just suggested, a large increase in the Federal heavy truck use tax was widely understood to be at least in part related to a political tradeoff for increased truck sizes and weights mandated by the STAA. It is also true, in our view, because a diesel differential, unlike a weight-distance tax, would not solve the major equity concerns with the current tax structure.

If, however, Congress does decide to proceed with consideration of a diesel differential, Three-A believes that two considerations are paramount:

(1) Any diesel differential should contain a tax credit for diesel-powered motor vehicles under 10,000 pounds, and

(2) Any change in the heavy truck use tax should be entirely revenue-neutral.

Motorists are already paying 106 percent of their fair share; they should not be required to pay even more solely because the trucking industry wants to revamp its taxes.

If I could make a brief comment on a comment made by an earlier witness relative to weight-distance versus ton-mile taxes: it is altogether true that ton-mile taxes have very serious administrative problems. We don't think that's true for a weight-distance tax made on the basis of registered weight, as in the State of Oregon. In Oregon they have a 95-percent compliance rate, and the collection costs are about 7 percent.

Thank you very much for the opportunity to appear.

[Mr. Archer's prepared statement follows:]

PREPARED STATEMENT OF JOHN ARCHER, MANAGING DIRECTOR, GOVERNMENT AFFAIRS DEPARTMENT, AMERICAN AUTOMOBILE ASSOCIATION

Mr. Chairman, I am John Archer, Managing Director of Government Affairs for the American Automobile Association.

The American Automobile Association, serving more than 23.8 million members, appreciates this opportunity to comment on alternatives to the tax on the use of heavy trucks.

The Surface Transportation Assistance Act of 1982 was a serious attempt to equitably impose taxes commensurate with the cost responsibilities of highway users, although the original Administration bill based on the Highway Cost Allocation Study would have mandated even greater tax responsibility to heavy trucks.

AAA does not believe that these newly-enacted taxes--particularly the use taxes on heavy trucks--should be changed unless compelling justification is shown, and then only after careful study of all possible alternatives. This is particularly true because the large increase in the federal heavy truck use tax was widely understood to be the political tradeoff for the increased truck lengths, widths, and weights mandated by the 1982 STAA.

It is also true because, as one of the conclusions of the 513(g) study (Report to Congress on Alternatives to Tax on Use of Heavy Trucks) states, the short-term options widely discussed as possible changes in the current tax structure:

> "...do not solve the major equity concerns with the current tax structure. The current fees do not fully measure the two principle variables: weight and distance. To measure them directly and more equitably requires a comprehensive change, specifically, a weight-distance tax.
>
> "The principal (sic) and compelling advantage of a weight-distance tax is that it taxes directly those characteristics that should be taxed as a measure of costs imposed upon the highways by users. It is the only tax instrument that addresses precisely the trucking industry's major criticism of the heavy vehicle use tax--that is, its insensitivity to mileage variation. There appear to be no insurmountable reasons why a simple weight-distance tax could not be imposed at the national level."

Moreover, an important study regarding this issue has just been released by the AASHTO Steering Committee on Motor Carrier Taxation and Registration Issues. That recently-released AASHTO study recommends enactment of a weight-distance tax to begin in 1986 and retention of the present use tax until that time. AAA supports this basic recommendation of the study. Enactment of a weight-distance tax would be fair to all highway users, unlike a diesel differential tax which will not account adequately for the greater cost responsibility of heavy combination trucks.

We strongly believe a diesel differential will penalize motorists who operate diesel-powered passenger cars or vans even if that tax includes an exemption for diesel-powered vehicles under 10,000 pounds. At the very least motorists filing for refunds or tax credits under such an exemption will be faced with the burden of documenting their claims. We are also afraid that part of any diesel differential will be paid by car and van owners, if only because the paper work requirements associated with any refund system will inevitably lead to at least some claims not being filed.

However, if the Congress decides to proceed with consideration of a diesel differential, AAA believes that two considerations are paramount:

> (1) Any diesel differential legislation should contain a tax credit for diesel-powered motor vehicles under 10,000 pounds, to protect motorists and other light-vehicle owners to the extent possible from the proposed increase in the diesel tax. This credit could be claimed on IRS Form 1040 in the section (for 1983) encompassing lines 41 through 49 entitled "Credits."
>
> (2) Any replacement of the heavy-truck use tax with the diesel differential should be entirely revenue neutral. The trucking industry should not be allowed to use a change in the taxing mechanism as a means of further avoiding payment of their fair share of road taxes.

A diesel differential is also inequitable to the owners of light and meduim weight vehicles. The cost responsibility of the heavy diesel-powered vehicles increases substantially as weight increases, but fuel consumption per mile increases only slightly above 50,000 pounds. The state of Oregon found that while the cost responsibility of an 80,000 pound combination truck was about double that of a 50,000 pound combination, its fuel consumption was only 14 percent more. Combination trucks under 70,000 pounds, and all single unit trucks, are already paying significantly more than their cost responsibility under taxes enacted in STAA 82. Combination units over 70,000 pounds are paying significantly less, with those over 75,000 pounds paying only 66 percent of their cost responsibility. Any substitution of a diesel differential for a highway use tax only will result in a further shifting of tax payments to lighter vehicles.

The burden placed upon the IRS may not be worth the effort to enact a diesel differential. It has been estimated that by 1985 more people could be applying for tax credits or refunds than would be paying a diesel differential. In that year there will be approximately 3.6 million diesel-powered vehicles weighing less than 10,000 pounds while only 2.4 million diesel-powered vehicles will weigh more than 10,000 pounds.

We understand serious consideration is being given to embracing DOT's alternative No. 2. This option adds the pre-STAA '82 heavy truck use tax rates (maximum $240) to the 5-cent diesel differential tax rates found in H.R. 2124 or S. 1475. We believe this option is unfair because it is not revenue neutral. It represents a $700 million loss to the Highway Trust Fund. It lowers the level of equity for heavy truck combinations below that provided by the taxes as defined in the Surface Transportation Assistance Act of 1982, thereby shifting a greater portion of the cost burden of highway and bridge repair and reconstruction onto other highway users. Under DOT's alternative No. 2, combination trucks over 75,000 pounds would pay only 60 percent of their cost responsibility--as determined by the Cost Allocation Study--the same percentage they paid prior to passage of the STAA.

Any taxing mechanism relying on fuel consumption as a major element in compensating for highway cost responsibility becomes imprecise and inequitable when attempting to recover cost responsibility from a vehicle population with widely divergent weights. For example, the federal highway cost responsibility study found that a combination vehicle over 75,000 pounds had a per-mile cost responsibility about 16 times that of the passenger car, but consumes only about three to four times more fuel than a passenger car. Therefore, with a current federal fuel tax of nine cents per gallon, this vehicle would have to pay more than 30 cents per gallon fuel tax to meet its determined cost responsibility through fuel taxes alone.

Problems alleged to exist relating to collection costs associated with weight-distance taxes are extensively addressed in the AASHTO study previously mentioned. It notes that collection costs as reported by the states fall within a range of 12 to 14 percent. The state with the most experience with a weight-distance tax, Oregon, reported a collection and administrative cost of only 7.4 percent.

When compared with administrative costs for collecting vehicle registration fees ranging up to 14 percent and averaging around five percent, the costs of administering a weight-distance tax do not seem unreasonable. Additional study will allow perfection of the methods and procedures needed to administer and collect a national weight-distance tax.

For all these reasons we recommend that no action be taken to adjust the tax schedules contained in the 1982 STAA until the taxes are actually imposed and sufficient time has passed to assess their impact, as well as the potential impact of a national weight-distance tax.

Thank you for considering our views.

The Chairman. Thank you very much.

Well, I know Senator Long has indicated an interest in the weight-distance, and we intend to look into it in more detail. It was one of the options of the DOT, but not one they recommended. But if the others are not acceptable, maybe we can try that one out.

Mr. Berg.

STATEMENT OF GEORGE BERG, ASSISTANT DIRECTOR, NATIONAL AFFAIRS DIVISION, AMERICAN FARM BUREAU FEDERATION, WASHINGTON, DC

Mr. **Berg.** Thank you, Mr. Chairman.

I am George Berg. I am representing the American Farm Bureau Federation. The Farm Bureau is the nation's largest general farm organization, with 3.3 million members.

Mr. Chairman, the farmer and the small businessman serving rural America should not be required to bear the inequitable cost of restoring and maintaining the Nation's highways. When Congress enacted the STAA, it was the consensus that those most responsible for road deterioration should bear the brunt of reconstruction costs.

The cost-allocation study released by the Department of Transportation in 1982 indicated that heavy trucks were not paying fuel taxes and user fees proportionate to the highway damage they were causing.

The Federal use tax on motor vehicles was originally enacted as a means of requiring owners of heavy commercial transcontinental trucks to pay their fair share.

The Farm Bureau does not feel that farm trucks, those that are not for hire and used only a few days out of the year to transport commodities and livestock should be include in this heavy truck use tax; they should be exempt.

The Farm Bureau urges enactment of legislation to exempt farmer-owned, not-for-hire trucks from the highway use tax. Mr. Chairman, as you recall, you introduced legislation and had it approved in the 96th Congress. It was approved by the Senate, but unfortunately it was defeated in the conference.

The DOT study on alternatives to the heavy vehicle use tax considered approximately nine options. The DOT flatly rejected H.R. 2124, introduced by Representatives Frenzel, Campbell, and Jenkins. The legislation was rejected on the basis that it would not provide adequate highway revenues nor would it provide highway user tax equity.

H.R. 2124 would result in revenue loss of about $350 million in 1985, and in our opinion would shift the tax burden from heavy trucks to lighter trucks.

During the annual meeting of the American Farm Bureau Federation in January, we adopted the following policy with respect to highway and truck policy:

> We favor elimination of a highway use tax on farm trucks. Until such action is taken, we support legislation raising the exemption for trucks from the 5,000 mile limitation to 15,000 miles. If increased mileage exemption cannot be achieved in 1984, we will support up to an additional 5-cent tax per gallon on diesel fuel tc substantially reduce or replace the heavy vehicle use tax. We oppose any plan which would substantially shift the burden from the heavy trucks to light trucks.

The Chairman. You know, we did raise, at the insistence of the Senate, that exemption from $2,500 to $5,000. You just shot it back by 10,000. Was that a typo?

Mr. Berg. No, sir. It is from 5 to 15,000 miles. It is not a typo; that was what the Farm Bureau delegation, at their annual meeting, adopted. And they did appreciate the fact that you and this committee did it.

The Chairman. I think Senator Symms called that to our attention, initially.—increasing the exemption.

I think what we are concerned about, and again we are not in the decisionmaking stage, is that if you get it up to 10- or 15,000, there might be a lot of "nonfarm" vehicles taking advantage of it.

Mr. Berg. Well, under legislation that is pending in the House that is almost identical to the bill that you introduced several years ago, there is a dollar limitation on the amount, and it cannot be owned by a corporation; it must be owned by a farmer, and farmer-owned and farmer-operated.

The Chairman. I think, as you know, Senator Trible has introduced the 10,000.

Mr. Berg. Yes, sir, he has. And we would be happy if the committee could see its way clear to approve that bill. [Laughter.]

The Chairman. Well, maybe we could make it 5,001 miles; that would be an improvement over 1982. [Laughter.]

[Mr. Berg's prepared statement follows:]

THE VOICE OF AGRICULTURE
AMERICAN FARM BUREAU FEDERATION

★ FARM BUREAU ★
** the nation's largest general farm organization **

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION TO THE SENATE FINANCE COMMITTEE ON ALTERNATIVES TO TAX ON THE USE OF HEAVY TRUCKS

February 9, 1984

Presented By
George L. Berg, Jr.
Assistant Director, National Affairs Division

American Farm Bureau Federation
Washington Office — 600 Maryland Ave., SW, Washington, DC 20024. Phone: (202) 484-2222

SUMMARY OF PRINCIPAL POINTS

AMERICAN FARM BUREAU FEDERATION STATEMENT
TO THE SENATE FINANCE COMMITTEE
ON ALTERNATIVES TO TAX ON THE USE OF HEAVY TRUCKS

February 9, 1984

When Congress enacted STAA, it was the concensus that those most responsible for road deterioration should bear the brunt of reconstruction cost. Cost allocation study indicated that heavy trucks were not paying fuel taxes and user fees proportionate to highway damage caused.

Federal use tax on motor vehicles was originally enacted as a means of requiring owners of heavy commercial trucks to pay their fair share of highway construction costs. Farm trucks --not for hire and used only a few days a year-- should be exempt.

Farm Bureau urges enactment of legislation to exempt farmer-owned, not for hire farm trucks from highway use tax.

DOT study of alternatives to heavy vehicle use tax flatly rejected H.R. 2124, introduced by Representatives Frenzel, Campbell, and Jenkins. Legislation was rejected on the basis it would not provide adequate highway revenues nor would it provide highway user tax equity. H.R. 2124 would result in revenue loss of $350 million in 1985 and shift tax burden from heavy trucks to lighter trucks, resulting in a tax liability for an additional 56 percent of the truck population which is now exempt under STAA. Most of the lighter trucks would be those used on farms to haul farm products or trucks used primarily by small business.

During the 65th Annual Meeting in January, Farm Bureau adopted the following highway and truck policy:

> "We favor elimination of highway use tax on farm trucks. Until such action is taken, we support legislation raising the exemption for trucks from the federal highway use tax from 5,000 to 15,000 miles. If increased mileage exemption cannot be achieved in 1984, we will support up to an additional 5 cent tax per gallon on diesel fuel to substantially reduce or replace the heavy vehicle use tax, providing that off-highway use is exempt or refundable. We oppose any plan which would substantially shift the burden of truck taxes from heavy trucks to light trucks."

Farm Bureau is the nation's largest general farm organization with a membership of 3.3 million member families. The farmer and the small businessman serving rural America should not be required to bear the inequitable cost of restoring and maintaining our nation's highways. The heavy truck use tax scheduled to go into effect July 1, 1984, unless modified by Congress, cannot help but discourage farmers from trucking grain and livestock to markets outside their local areas that might be offering higher prices.

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION TO THE SENATE FINANCE COMMITTEE ON ALTERNATIVES TO TAX ON THE USE OF HEAVY TRUCKS

February 9, 1984

Presented By
George L. Berg, Jr.
Assistant Director, National Affairs Division

Farm Bureau appreciates the opportunity to comment on the alternatives to the tax on the use of heavy trucks.

When Congress set out in late 1982 to enact legislation raising revenue to rebuild the nation's highway system, the consensus was that those highway users most responsible for road deterioration should bear the brunt of reconstruction costs. Based on a U.S. Department of Transportation cost allocation study, heavy trucks (particularly, combination vehicles over 70,000 pounds GVW) were not paying fuel taxes and user fees proportionate to the highway damage DOT estimated they caused.

As a result, Congress passed the Surface Transportation Assistance Act of 1982 (STAA). This act made many changes in federal legislation for highways and mass transit. Most importantly, it increased funding to rebuild the nation's worn-out transportation facilities. The legislation changed the fees that highway users pay into the Highway Trust Fund. It changed the way the fund is administered. It changed to some degree almost all federal aid authorized for roads and transit.

This new law also directed the Department of Transportation to conduct a study of alternatives to the tax on use of heavy trucks. The act, in addition to hiking the federal tax on fuel by five cents a gallon, also increased the heavy vehicle use tax from a maximum of $240 per year to $1,600 per year in 1984, and ultimately to $1,900 per year in 1988. This new tax will become effective July 1, 1984, unless modified by Congress.

The federal highway use tax on motor vehicles is a source of funding the national highway construction program. It was originally enacted by the Congress as a means of requiring owners of heavy commercial trucks to pay their share of highway construction costs. Since the bulk of farmer-owned and farm-use trucks are not for hire and are used only a few days a year on the highways--usually for short distances--such trucks should be exempt from the tax.

According to the most recent survey, the 1977 U.S. Census of Transportation, the total number of trucks used in agriculture is approximately 4.2 million. By including pickup, panel and walk-in trucks, it is estimated that 1.1 million farm vehicles are subject to the federal highway use tax.

In the 96th Congress, Farm Bureau supported legislation introduced by Senator Dole to exempt farm trucks from the highway use tax. The Senate adopted the bill (S. 396) as an amendment to the Revenue Act of 1978, but the provision was dropped in conference.

Farm Bureau urges the enactment of legislation to exempt bona fide, farmer-owned, not for hire farm trucks from the highway use tax. We support H.R. 259, the proposal introduced by Representative James Quillen (R-TN), to exempt vehicles used for farming purposes from the highway use tax. The legislation prohibits exemption for vehicles registered in the name of a corporation whose gross receipts for the last taxable year exceeded $950,000 or which derived more than 50 percent of their gross income from activities other than farming.

The DOT has now completed its study of the heavy vehicle use tax and has transmitted its report to the Congress. The options included in the DOT report were judged against three criteria: (1) it must achieve revenue neutrality; (2) it must ensure simplication of administration and enforcement; and (3) it must enhance equity. In considering the options to the heavy vehicle use tax, the DOT flatly rejected H.R. 2124, introduced by Congressmen Frenzel, Campbell and Jenkins. This bill is being promoted by the American Trucking Associations and substitutes a five-cent-per-gallon diesel fuel differential tax on trucks weighing more than 10,000 pounds for the heavy vehicle use tax. The DOT rejected H.R. 2124 on the basis that it would not provide adequate highway revenues nor would it provide highway user tax equity. As introduced, H.R. 2124 would result in a revenue loss of about $350 million in 1985 and would shift the tax burden from the heavy over-the-road, intercontinental operators to lighter trucks. Under STAA, vehicles less than 33,000 pounds were exempt. However, under H.R. 2124, the weight threshold will be reduced to 10,000 pounds and will result in a tax liability for an additional 56 percent of the truck population. Most of the trucks in the 10,000 - 33,000 (GVW) area are those trucks used on the farm to haul farm products or those trucks used primarily by small business.

The DOT also considered other options to the heavy truck use tax. In addition to four proposals for a weight-distance tax, the alternatives included increasing the diesel differential tax by 5 to 6 cents per gallon with a cap on the heavy truck tax ranging from $240 to $1,200. The Department is opposed to any of these changes in the heavy truck use tax, however, because they do not maintain equity among highway users.

Mr. Chairman, farmers with single-axle trucks marketing smaller amounts of grain locally will not be severely affected by these new tax law changes. But larger farms using semitrailers to move 180,000 bushels or more of grain for distances up to 200 miles will experience increased costs of 1.2 cents to 1.3 cents a bushel by 1989.

Most affected will be the small to medium size farmer with about 30,000 bushels of grain who uses a semitrailer to search out grain markets with higher bids which are 100 or more miles away. With the current cost price squeeze, both smaller and larger farmers are likely to haul longer distances directly to markets with higher grain bids.

Farmers trying to take advantage of higher bids at these markets will incur large increases in per bushel taxes. The principal reason is the sharp jump in road use tax for trucks traveling more than

5,000 miles annually. Once the 5,000 mile exemption is triggered, th per bushel cost of transportation goes up as much as 6.4 cents in 198 with a new semitrailer hauling 30,000 bushels 200 miles. As mileage increases with greater volume and longer distances, the increases in per bushel trucking costs tend to moderate as the road use tax is spread over a larger volume.

During the 65th Annual Meeting in January, the voting delegates of the Farm Bureau Federation adopted this highway and truck policy:

> "We favor elimination of the federal highway use tax on farm trucks. Until such action is taken, we will support legislation raising the exemption for trucks from the federal highway use tax from 5,000 to 15,000 miles. If passage of the increased mileage exemption cannot be achieved in 1984, we will support up to an additional 5 cent tax per gallon on diesel fuel to substantially reduce or replace the heavy vehicle use tax, providing that off-highway use is exempt or refundable. We will oppose any plan which would substantially shift the burden of truck taxes from heavy trucks to light trucks."

Farm Bureau is the nation's largest general farm organization with a membership of 3.3 million member families in 48 states and Puerto Rico. The farmer and the small businessman serving rural America should not be required to bear the inequitable cost of restoring and maintaining our nation's highways. Furthermore, the heavy truck use tax scheduled to go into effect July 1, 1984, cannot help but discourage farmers from trucking grain and livestock to markets outside their local areas that might be offering higher prices.

The CHAIRMAN. Well, we appreciate your testimony. If you three fellows could work it out with the lady on my left, you all have different views on what we ought to do, so if you three can work out a nice program, it would be very helpful, because you have the American Automobile Association, the Farm Bureau, and the respected ATA. That gives us a real problem, you know. I assume you each believe you are correct, is that right? [Laughter.]

Mr. WHITLOCK. Absolutely.

Mr. ARCHER. Absolutely.

Mr. BERG. Mr. Chairman, if I could clear up a misconception that Senator Symms might have, you mentioned earlier—about 2 hours ago—that you thought the Farm Bureau was supporting option No. 4.

Senator SYMMS. I thought that. That is not correct?

Mr. BERG. No, that is not correct. Actually our board has not had an opportunity to look at all of those options.

Senator SYMMS. We will let the record show that; I'm sorry.

Mr. BERG. That's all right. I just wanted to clear that up.

Senator SYMMS. The Chairman made a statement here about was on that list. I got confused, I think.

The CHAIRMAN. Well, I was surprised not to see the Farm Bureau on that list, but I know you can't do it without a meeting. I read off the Soybean Association and others.

Mr. BERG. Well, we have joined with that group, Senator Dole, but we do not jointly sponsor letters.

The Chairman. Well, send us a separate letter, and we will be glad to consider it.

Mr. BERG. All right, sir.

Senator SYMMS. If I could, Mr. Chairman, I want to ask Mr. Whitlock a question, because there is something I haven't been able to get straightened out, in my mind, anyway: How much money is being raised now?

Bennett, you made a statement before the Public Works Committee the other day that you are willing to have what you term as "revenue-neutral," but your figures of revenue-neutral and Senator Dole's wife's figures are two different figures. Could you please explain that?

Mr. WHITLOCK. I wish you wouldn't put it in that context. [Laughter.]

The CHAIRMAN. That's all right.

Senator SYMMS. The point is, we've got to make a good case here if it's going to be different, because he wants to get to eat. [Laughter.]

Mr. WHITLOCK. Senator, I reiterate today what I said before your subcommittee: The authorizations in STAA—the tax program in STAA was designed to raise the $72.021 billion to fund the authorizations in the bill.

What I said to you, and I reiterate today, is that the committee should seek only to funding STAA's authorization. To be revenue-neutral and fund STAA, to pay for that program, requires $72.021 billion.

The problem we have today with the new estimates, is that if the committee had known back in 1982 that they were raising $73.3 billion for a $72 billion program, they would have reduced the level of the taxes in 1982.

The fact that we now have additional revenue emanating from those taxes——

Senator SYMMS. Now, is this coming from the truck side or from the automobile side?

Mr. WHITLOCK. I'm sorry; no, that's the total figure, Senator.

Senator SYMMS. Of the total STAA program?

Mr. WHITLOCK. That's right.

Senator SYMMS. OK. But where is the extra billion dollars? Where did it come from?

The CHAIRMAN. Gas.

Mr. ARCHER. The motorist.

Mr. Whitlock The motorist

Mr. BERG. Some of it came from gas; in fact, I would say the majority of it did.

The CHAIRMAN. Diesel sales are down, but gas sales are up.

Mr. ARCHER. That's right. People are traveling more than was anticipated when the act was passed, and more travel means more gas-tax dollars.

Senator SYMMS. Well, I am not locked in concrete, I want you to know, on where this ought to be, and if I understand the chairman correctly, he's not either.

The CHAIRMAN. I may be locked out, but I'm not locked in. [Laughter.]

Mr. WHITLOCK. I also understand, Senator, there is an additional $945 million in revenue as far as the use tax is concerned, also. I may be mistaken, but I think that's right.

Senator SYMMS. Of the $240?

Mr. WHITLOCK. Of the $240 heavy use tax.

Senator SYMMS. Of the $240? In other words, people heard about this and——

Mr. WHITLOCK. But going back to one of the questions you raised. There has been no factoring in for noncompliance it at $240. I am not advocating $240 at this time, but even at that rate there has been given no factor for noncompliance.

We have done a study on noncompliance in the truck population—the weight categories and everything else—and our estimate is that anywhere from 19 to 22 percent of truck population do not pay the heavy use tax. Certainly the change made by this committee in 1982 to require verification by the States will increase compliance of the heavy use tax.

Senator SYMMS. I think by 1985 the States are supposed to verify all——

Mr. WHITLOCK. That's right.

Senator SYMMS. And that should make a big difference.

Mr. WHITLOCK. Yes, it should make a difference.

Senator SYMMS. Now, if I could go back again, did you specifically recommend in your testimony that you thought 5 cents and 480—was that it?

Mr. WHITLOCK. No, I did not recommend that option, Senator. We talked about what revenue would be brought in under that option.

Senator SYMMS. That is what I mean.

Mr. WHITLOCK. My recommendation—our recommendation—is that we would favor increasing the diesel fuel to make the bill revenue-neutral.

One aspect of diesel fuel is that the vehicle that travels the distance pays the higher amount. The heavier the vehicle, the less per mile he gets for a gallon of fuel. So in one sense, the diesel fuel accommodates weight and accommodates distance.

Senator SYMMS. What is your estimate of where the break-even point would be on, say, STAA 4?

Mr. WHITLOCK. Between seven and eight.

Senator SYMMS. No, on mileage. Would it be 100,000 miles? Would it be 104,000? Say, if you had DOT No. 4 which has been talked about a lot here today, which was 6 cents a gallon and 650, where would the break-even point be for a truck?

Mr. WHITLOCK. By break-even, are you saying comparing it to STAA?

Senator SYMMS. Yes, if you had the full $1,900.

Mr. WHITLOCK. 80,000 miles at $1,600 and 104,000 at $1,900.

Senator SYMMS. Ninety thousand? See, I have heard figures told to me by credible sources all the way from 90,000 to 120,000; but I suppose the miles per gallon——

I know the Chairman is anxious to go here.

The CHAIRMAN. No; that's all right.

Mr. WHITLOCK. Our figures show that at $1,600, the use tax——

Senator SYMMS. I wanted to ask one other question:

Congressman Frenzel—I may be incorrect, but I think he personally has had experience in the trucking business, before he came to Congress—thinks that 7 cents a gallon would make this revenue neutral, whatever that means. And he bases that on the fact that there will be more revenue raised and less noncompliance problems, and so forth.

Does ATA have any figures that would speak to that?

Mr. WHITLOCK. Our figures show maybe 7, maybe 7½. I will get you exactly the diesel differential that is necessary to raise the necessary amount.

Senator SYMMS. I suppose that the objection to that would be that the lighter vehicles and motorists would then be picking up a higher percentage of the allocation of the costs of the highways.

Mr. WHITLOCK. Probably. In one sense that's right, but in another sense it is incorrect, because the heavier the vehicle, the less miles they travel. In addition, the vehicle that travels 100,000 miles pays more than the vehicle that goes 10,000 miles per year.

The CHAIRMAN. How does that work? What is the difference between the 55,000 and the 80,000, as far as mileage?

Mr. WHITLOCK. Let me supply that for the record, please, Mr. Chairman.

The CHAIRMAN. Does Triple-A have any figures on that?

Mr. ARCHER. Let us submit something for the record; but in general, as the weight increases, the damage to the highway increases exponentially. Fuel consumption increases arithmetically. So once you get above 50,000 to 55,000 miles, there is no allowance at all for fuel consumption as opposed to the damage to the highway.

[Mr. Whitlock's and Mr. Archer's information follows:]

**AMERICAN
TRUCKING
ASSOCIATIONS, INC.**
1616 P Street, N.W., Washington, D.C. 20036

PRESIDENT
Bennett C. Whitlock, Jr.
(202) 797-5212

February 21, 1984

Mr. Edgar R. Danielson
Senate Committee On Finance
SH 231
Washington, D.C. 20510

Dear Mr. Danielson:

Attached is my corrected testimony from the hearings on S. 1475 held by the Senate Finance Committee on February 9, 1984. During the hearings, I offered to provide the following material for the record: the diesel differential necessary to remain revenue neutral (p. 153) and the impact gross vehicle weight has on fuel consumption (p. 154).

Diesel Differential Necessary for Revenue Neutrality

In December, 1982, the Joint Committee on Taxation estimated the Surface Transportation Assistance Act of 1982 would raise $72,021 million. Utilizing these same projections, but changing the diesel tax applicable to trucks over 10,000 pounds gross vehicle weight, a 6 ½ cent diesel differential will raise $72,206 million, or $185 million more than is needed to remain revenue neutral.

Gross Vehicle Weight and Fuel Consumption

A diesel differential reflects changes in gross vehicle weight (gvw). The heavier the vehicle, the fewer miles per gallon; the higher the mileage, the more tax paid. As Figure I indicates, for each 10,000 pound increase in gross vehicle weight for afive-axle tractor semitrailer, there is 4.6 percent increase in the fuel consumed. A vehicle at 30,000 pounds gvw averages 6.4 miles per gallon, while a vehicle at 80,000 pounds gvw will average only 4.71 miles per gallon.[1]

In addition to the usual grammatical changes, I wish to correct the record on p. 150, line 13. The sentence should read: "I also understand, Senator, there is an additional $945 million in revenue as far as the use tax is concerned." Also on page 152, line 12, the sentence should read: "Eighty thousand miles at $1600 and 104,000 miles at $1900."

A National Federation Having an Affiliated Association in Each State

Thank you for allowing me to correct the record.

Sincerely,

Bennett C Whitlock Jr

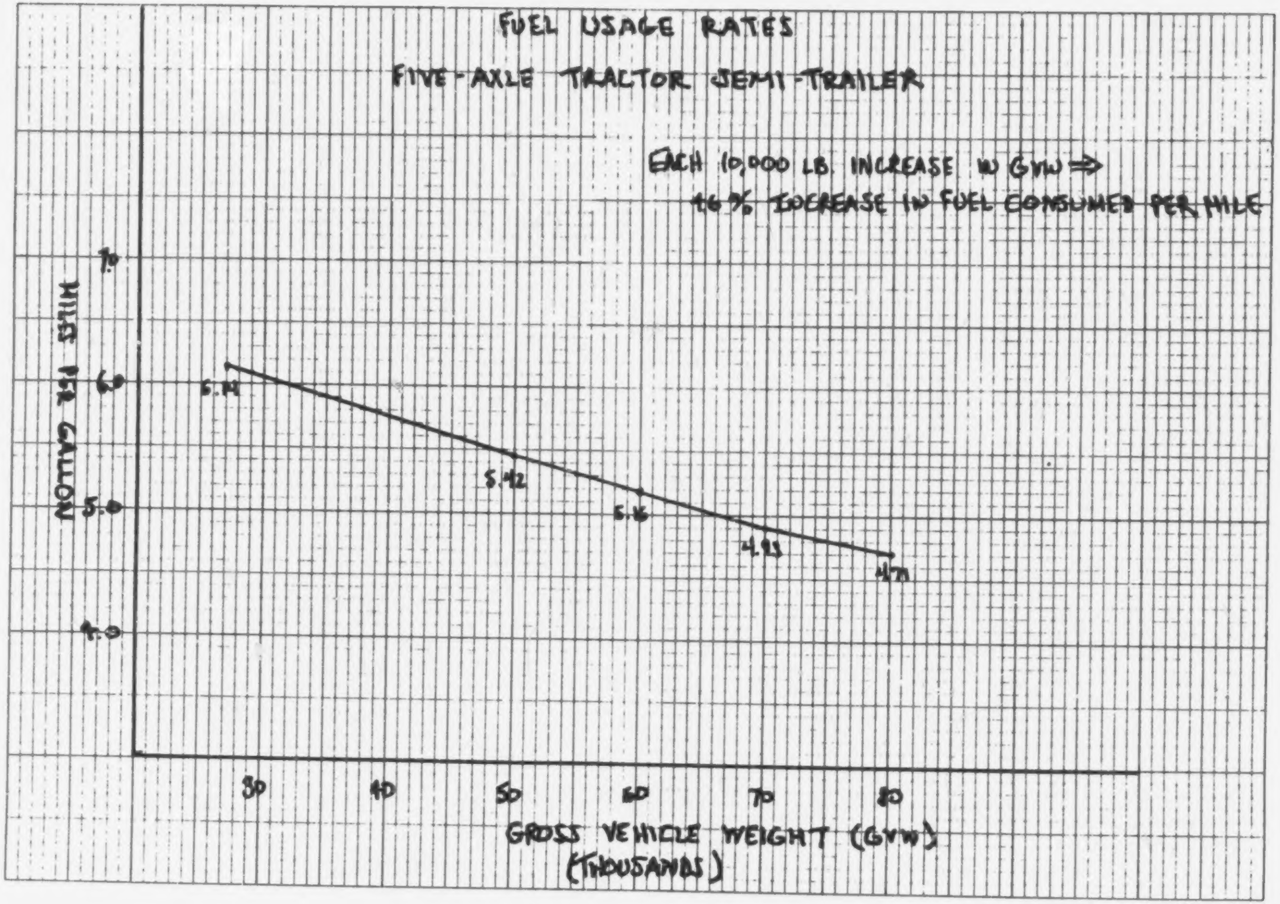
Bennett C. Whitlock, Jr.

BCW/jb

encls.

[1] Five-Axle Tractor Semitrailer
$GPM = .00186K + .13788$
Where,
K = Gross Vehicle Weight in tons
GPM = Gallons Per Mile
Source: Regina T. Selva and Roger W. Kolins, "The Impact of Gross Vehicle Weight on Line-Haul Trucking Costs: 1981 and 1985," Issues in Truck Sizes and Weights, Technical Report, TSW-81-3, American Trucking Associations, Inc., 1981.

FIGURE I


FUEL USAGE RATES
FIVE-AXLE TRACTOR SEMI-TRAILER
EACH 10,000 LB. INCREASE IN GVW ⇒
+6% INCREASE IN FUEL CONSUMED PER MILE
MILES PER GALLON
7.0
6.0
5.0
4.0
6.14
5.42
5.16
4.93
4.71
30
40
50
60
70
80
GROSS VEHICLE WEIGHT (GVW)
(THOUSANDS)

American Automobile Association

8111 Gatehouse Road
Falls Church, Virginia 22047
703 AAA-6000

March 1, 1984

The Honorable Robert Dole
Chairman
Senate Finance Committee
Washington, D.C. 20510

Dear Mr. Chairman:

In the course of presenting the American Automobile Association's testimony on February 9, 1984 (with respect to alternatives to the tax on the use of heavy trucks) I indicated I would respond to the record on the question of the difference in the miles traveled between the 55,000 and 80,000 pound combination trucks.

My response is as follows:

The final report on the Federal Highway Cost Allocation Study disclosed that the annual miles per vehicle traveled for the weight classes of combination trucks between 50 to 70 thousand pounds and those over 75 thousand pounds increases over 111 percent (Table IV-13, enclosed). This same table, however, also discloses that while the weight of combination vehicle classes between 50 thousand and 75 thousand pounds increases by 50 percent, the rate of fuel consumption changes very little.

The Department of Transportation's final report to Congress on alternative tax options for heavy trucks (January, 1984) estimates that the heavy truck population of over 70,000 pounds will represent only 11.8 percent of the total truck population by 1985. The working paper for this report (July, 1983) illustrates that a fuel tax alone fails to collect equitably for the cost responsibility of the entire range of vehicles over which the tax would be imposed. "This is because fuel consumption does not increase proportionally with cost responsibility as weight increases." (page VI-6 of working paper).

This inequity was borne out by the Oregon cost responsibility study mentioned in AAA's testimony in which it was shown that the cost responsibility of diesel-powered vehicles increased substantially as vehicle weight increased but fuel consumption on a per-mile basis increased only slightly for vehicles weighing more than 50,000 pounds.

Thank you for the opportunity to participate in the hearing.

Sincerely,

John Archer
Managing Director
Government Affairs

JA/lb
Enclosure

Table IV-13

Vehicle Fleet Fuel Consumption and Annual Miles of Travel
Revenue Estimation Input
1977 and 1985

Vehicle class:	Miles Per Gallon 1977	Miles Per Gallon 1985	Annual Miles Per Vehicle 1/
Passenger Vehicles	14.2	19.3	10,346
Autos	14.4	20.0	10,500
Large	12.7	15.7	10,500
Small	20.8	25.7	10,500
Motorcycles	50.0	50.0	2,279
Pick-ups and Vans	11.8	16.2	11,460
Buses	5.7	5.7	12,000
Intercity	6.0	6.0	54,901
Other	5.6	5.5	10,161
Trucks	5.2	6.1	20,150
Single Unit	6.0	6.7	12,830
Under 26 Kips	6.0	7.1	12,028
Over 26 Kips	5.0	5.8	15,474
Combinations	4.3	5.6	50,364
Under 50 Kips	4.8	5.1	30,709
50 - 70 Kips	4.6	5.7	32,156
70 - 75 Kips	4.5	5.7	62,764
Over 75 Kips	4.6	5.7	67,930
All Vehicles	13.5	18.3	10,731

1/ Aggregation to classes based on 1977 category populations.

Senator Symms. If you only have 17,000 or 17-5 per axle, how does it make any difference to the highway—whether you have 1 axle or 10 on a truck?

Mr. Archer. Additional axles help, that's right; but ASHTO looked at this some time ago, as I am sure you are aware, and estimated that the average—80,000 pound truck loaded normally—will damage the highway 9,600 times what your passenger car will. That's what the cost allocation study is about.

Mr. Whitlock. I don't buy that, you know.

The Chairman. No, I figured there would be a slight difference of view there. [Laughter.]

But just to make certain we have the record, is it all right if we open up everything else we did in 1982? Or do you just want to open up the tax?

Mr. Whitlock. Well, let me say this, Senator: We are not saying that we do not favor revenue neutrality. We are not saying that at all. We are simply saying that the best allocation would be on a pay-as-you-go basis. We are not quarreling with other features in STAA.

The Chairman. Well, why didn't you support that in 1982?

Mr. Whitlock. Mr. Chairman, let me say this: Hindsight of course, is great. If I had known then, what I know now, I would have supported it.

The Chairman. Well, if we had known then what we know now, we would have probably pushed it harder. [Laughter.]

Or at least a combination of that.

Mr. Whitlock. Well, frankly, to be candid, Senator, one of the problems we had back then was the frantic timetable we were operating under.

The Chairman. And I think it was a tradeoff. I think we have to be very candid about that.

I think there were some things you wanted, and some things you didn't want, and you probably figured you would get rid of the things you didn't want this year or last year.

Mr. Whitlock. No, that's not true, not as long as we make the bill revenue-neutral.

The Chairman. Well, I don't say it critically. That's how things operate around here.

Mr. Whitlock. We are not trying to evade the taxes, Senator.

Senator Symms. I want to ask one more question of Mr. Whitlock.

With respect to the commodities, where there is a lot of competition in hauling them, when we had hearings on this in Idaho the question came up about how much it cost to hire a truck to haul either onions or apples or potatoes to Los Angeles from the Boise Valley. The produce people are complaining that they can't get enough trucks; some of our bigger trucking companies that testified actually said, "We won't touch those unregulated commodities, because the price is too low and their accounting procedures are so poor that they don't know what their costs are. So they allow the market to be under what it should be to haul a box of apples, say, to Los Angeles from Boise Valley or from Yakima, or somewhere like that." In other words, the rate is too low.

Do you think that there is something to this? A lot of your members were the ones who were saying this, the bigger trucking companies in Idaho. They won't haul some of these things. They haul regulated commodities, not unregulated commodities if they can avoid it, because of too low rates.

If we had this all on the fuel would this help the accounting of the trucking company? Or the collection, even?

Mr. **Whitlock**. You are correct Senator, because the independent owner-operators are the primary source of transportation for apples. And there is no question, they would benefit under a pay-as-you-go plan. But the carriers that haul apples are primarily independent operators.

Senator **Symms**. Well, I had one fellow there who said he ran his trucks 140,000 miles a year, and he wanted to go on a fuel tax. I said, in my own calculation in my head, "I think it would be cheaper for you to pay it the other way." He said, "That's not my point, it's because the other people aren't paying it, and they don't realize it until they've lost their truck what their costs are, and the rest of us that are paying it are getting stuck with this." And he said, "If you will put this on a fuel tax, you are going to raise way more money than all the number-crunchers in Washington think." Do you think there is any credibility there?

Mr. **Whitlock**. I do. No. 1, the problem that owner-operators have, even at 140,000 miles—is cashflow. Someone from the owner-operator group alluded to the cashflow problem earlier. It's one thing to put $1,600 up front, or whatever amount is up front. It's quite another to pay it as you are earning revenue. It makes all the difference.

There is no question about it, there will be greater compliance with a diesel differential than there is with the vehicle use tax.

Senator **Symms**. Thank you.

Mr. **Archer**. Just on that point, there is a cashflow problem for the motorist, too. With regard to the diesel-differential: obviously first you will have to pay it in and then get it back a year later. There are roughly 3.5 million motorists that will have that problem.

Mr. **Whitlock**. But you are talking about $30 a year.

Senator **Symms**. I will ask this question of the Triple-A: Do you think it would be appropriate for us to repeal these cafe standards for the automobile companies so that they don't have this pressure on them about mileage-per-gallon?

Mr. **Archer**. Well, we don't have a policy position on that. If you want my personal opinion, I will be happy to give it; but it wouldn't be the policy of Three-A.

Senator **Symms**. Well, what would be your personal opinion? I would like to have it.

Mr. **Archer**. I think that, by and large, they work pretty well.

Senator **Symms**. Well, isn't it true, though, that they force the automobile companies to sell diesels, and that this has been a compounded problem?

I happen to be on the side of wanting to go to a diesel differential, and I always have, but it will compound the problem, won't it? Because doesn't the Federal Government tell the automobile companies how many miles per gallon they have to average?

Mr. Archer. That is certainly true.

Senator Symms. Of course, I have never been able to understand what business it was of the Federal Government how many miles per gallon we get, but those things seem to happen.

The Chairman. It's the Ralph Nader effect.

Mr. Archer. Well, just in the defense of the cafe standards, they have helped us get out of an energy crisis.

Senator Symms. I think the $1.25 a gallon gasoline had a lot to do with that, too.

Mr. Archer. There is no question about that. We supported decontrol; that was absolutely right. We couldn't more enthusiastically support that—it has been a great thing.

Senator Symms. Well, you see, I am all enthused about getting this corrected and changed, but I can foresee that by the time we get back, Mr. Chairman—and I would say, as I said at the beginning of the committee, that on that late hour, when that bill passed, the chairman walked out of the Senate and had a press conference and pledged that he was going to open this whole truck issue back up again. And I think he deserves our commendation for keeping his commitment, and I hope we can get it resolved.

But I do anticipate that by the time we come back there will be all kinds of other reasons that will come up as to why this is a bad idea. So I would urge all of you to try to work this thing out. And I think it would be very helpful to those of us on the committee if we could come to some middle ground here that will raise approximately the right amount of money, or at least what is anticipated.

I still am persuaded to think there should be some kind of a trigger mechanism in the bill. And the chairman suggested maybe we should have it so that it triggers both one way or the other way, to see where we do come out.

If we get compliance on the use tax, whether it is $500 or $600, and get compliance as I think we will on the fuel tax, I personally think there will be more money raised than what has been estimated and that we won't have the problem.

Now, that doesn't mean to say, on the other side of the equation, that we won't have more highway projects to fund, also, and still have the trust fund in a bind.

But I appreciate all of your testimony, and, Mr. Chairman, I appreciate your leadership in all of this very much. I hope we can resolve it, and I hope we can do it soon after we return.

The Chairman. Thank you very much.

If there are any witnesses who want to file a statement who have not, and who may be here, the record will be open for about 10 days. If you would like to modify your statement or add anything else, it will be open. And we will be visiting with all of you in the next couple of weeks.

Thank you.

[Whereupon, at 5:11 p.m., the hearing was concluded.]

[By direction of the chairman the following communications were made a part of the hearing record:]

Alabama
Forestry
Association, Inc. 555 Alabama Street ☐Montgomery, Alabama 36104 ☐(205) 265-8733

February 14, 1984

The Honorable Robert Dole, Chairman
Senate Finance Committee
U. S. Senate
Senate Office Building
Washington, DC 20510

Dear Senator Dole:

I will be unable to attend the hearing on S. 1475 scheduled for February 9, but respectfully request that this letter, in support of the Diesel Differential Alternative, be incorporated into the record.

Pulpwood and log trucks operated by members of this association travel primarily over secondary roads with truck-haul distances kept to a minimum to reduce raw material costs. A tax on diesel fuel as provided in S. 1475 and H. R. 2124 would be much more equitable because it relates proportionately to a truck's impact on highways and bridges. It would be fair to all truckers because it is a "pay as you go" tax.

Our wood hauling members recognize and support the need for maintenance and repair of our highways and bridges. They also feel that replacing the heavy vehicle use tax with an offsetting increase in the tax on diesel fuel is a more palatable means of doing this.

Sincerely,

Hilton Watson
J. Hilton Watson
Executive Vice President

JHW/se

cc: The Hon. Steve Symms, Chairman
Subcommittee on Transportation
Senate Committee on Environment
and Public Works
U. S. Senate, Senate Office Bldg.
Washington, DC 20510
The Honorable Jeremiah A. Denton, Jr.
The Honorable Howell T. Heflin
Mr. Robert E. Lee, III
Mr. Charles F. Thomas

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Jackson, District 1
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Troy, District 2
JAMES R (GARRY) GARRISON JR
Eufaula, District 3
W F SAHLIE
Wetumpka, District 4
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Reform, District 7
JAMES L SLEDGE JR
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CHARLES T BROWDER
Montgomery
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Union Springs
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GEORGE E GIBSON SR
Butler
C M JACKSON
Andalusia
JAMES R LESTER
Glenwood
EMMETT F THOMPSON
Auburn
JAMES D SPEARS
Cantonment, FL

STATEMENT BY

THOMAS A. CALLAGHAN, JR.

EXECUTIVE DIRECTOR

ALLIANCE FOR SIMPLE, EQUITABLE AND RATIONAL TRUCK TAXATION

The Alliance for Simple Equitable and Rational Truck Taxation (ASERTT) appreciates this opportunity to present its views for inclusion in the record of hearings held by the Senate Finance Committee on truck taxation.

ASERTT is an organization of trucking companies, truck leasing companies and suppliers to the trucking industry who are concerned about the escalating trend in truck taxation occurring at both the state and federal level. Amongst carriers and leasing companies, major contributing companies to ASERTT include Leaseway Transportation, Cleveland, Ohio; Lend Lease Transportation Company, Minneapolis, Minnesota; Rollins Leasing Corporation, Wilmington, Delaware; Ryder System, Inc., Miami, Florida; and Whiteford Truck Line, Inc., South Bend, Indiana. Amongst suppliers to the trucking industry, major contributing companies to ASERTT include Cummins Engine Company, Columbus, Indiana; Dana Corporation, Cleveland, Ohio; Freightliner Corporation, Portland, Oregon; General Motors Corporation, Detroit, Michigan; Michelin Tire Corporation, Lake Success, New York; PACCAR, Inc., Bellevue, Washington; and Rockwell International Corporation, Pittsburgh, Pennsylvania.

Companies contributing to ASERTT share the view that the present regimen of licensing and taxing motor carriers of property at both the state and federal level is neither simple, equitable nor rational. Furthermore, these companies feel that the current trend in truck taxation at both the state and federal level threatens the viability of important segments of the industry and distorts the competitive balance between the modes. For these reasons, ASERTT believes that a serious reassessment of both the way the various levels of government tax motor carriers of property and the amount they pay is in order.

We recognize that the committee is mainly concerned with the question of whether or not to replace the heavy vehicle use tax contained in the Surface Transportation Assistance Act of 1982 with one of the various diesel differential proposals presently before it. While we are unable to offer the Committee guidance on this question, we would like to direct the Committee's attention to the longer term nature of the highway finance problem and the taxation of those who make their living transporting freight over the highways. It is our intention in this submission to raise some questions on the truck tax problem and suggest a forum in which they might be addressed.

I Statement of the Problem

In its largest sense but also in the very simplest sense what Congress, the Executive Branch and the various States have before them is the question of what to do about a national resource that is wearing out.

There has been no shortage of literature documenting and deploring the decay of our infrastructure. The figures that get bandied about in this exercise are simply outside the framework of reference of all but the most experienced infrastructure groupies.

While the figures vary depending upon the source, there is nearly unanimous agreement that our bridges and highways need massive infusions of capital and, no matter how expensive the job, we can't afford to not do it.

II Questions Presented

The questions that should be addressed, if the financing of our highway system and the taxation of highway users is to make any long term sense, involve who should pay, how much they should pay, how should funds be collected and who should decide. Contained within these questions are the big issues of user fees and subsidies; federal pre-emption and states rights. Also present are more subtle issues involving fairness amongst vehicle classes, the reliability of a federal study allocating costs amongst highway users and the maintenance of a fair competitive balance between the modes.

Allow us to set forth some of the questions that policy makers might address in order to make sensible long term decisions about highway finance.

A. User Fees

In testimony before the Senate Finance Committee, Secretary of Transportation Elizabeth H. Dole stated, "We believe that those who benefit from government-provided services should pay their costs to the maximum extent possible."

At first blush this statement seems to articulate sound government policy. In an ideal world user fees make a great deal of sense. They make less sense when they are not applied consistently and when there is no underlying government policy that determines when one group should pay user fees and another should receive subsidies. Also, they make less sense when, as is the case with highway user fees, certain groups like the bus industry, state and local governments, taxis and users of certain fuels are exempted from paying them and the mass transit industry receives a direct subsidy from those who do. They make less sense when a group that pays them, like motor carriers, competes directly with a group that has been the recipient of subsidies, like railroads. Finally, they make less sense when, as is the case with the highway system, the particular project to be financed has national defense attributes and clearly benefits all parties by binding the country together and establishing a network over which commerce can be conducted.

B. State and Federal Roles

Presently our federal aid highway system is the product of a state and federal partnership. On paper or at a meeting of state highway officials it sounds wonderful. In the real world of the long haul trucker, it's another matter.

The problem is money--both in the dollar amount of checks written to the fifty states and federal government and the cost of complying with fifty-one different methods of collection. The problem is being felt most acutely by the long haul truckload carrier who competes directly with rail and who, because of the number of states he traverses, feels the cumulative effect of the lack of uniformity in state taxing systems.

The problem has not gone unnoticed by industry officials, the trade press or the Congress. In testimony before the House Ways and Means Committee on February 23, 1984, ATA President Bennett C. Whitlock, Jr., testified that state and federal taxes are the fastest growing expense item faced by the trucking industry. In the August 29, 1983 issue of Traffic World magazine, rail industry figures predicted the demise of the long haul trucker partly because of "increased user fees with more to come." Congress was sufficiently impressed with the difficulties faced by the interstate trucker in seeking to comply with fifty different licensing and taxing systems that it required, in Section 19 of the Motor Carrier Act of 1980, that the Department of Transportation study the matter. While the study has been completed and a modest legislative proposal submitted, the problem remains.

What the truckers are confronted with is a state-imposed system of licensing, registering and taxing that was appropriate for the way the industry looked thirty years ago. At that time, truckers competed mostly against each other in state wide or regional markets. Now with regulatory reform, many individual companies travel to all continental states competing against other motor carriers and carriers of other modes while they serve customers competing in world markets. The industry has matured, but the system of licensing, registering and taxing its members has not.

Essentially the question to be addressed is how do we view our highway system? Is it a national system or fifty state systems? How much duplication of effort and inefficiency must the industry endure before federal interests in encouraging the free flow of commerce and fair competition between the modes prevail over state interests in selecting revenue raising devices suitable to local needs?

C. The Federal Highway Cost Allocation Study

Since the creation of the Highway Trust Fund in 1956, there have been two federal studies conducted on the question of how to allocate costs amongst the various classes of highway users. The first study completed in 1965 employed what is known as the "incremental" approach. The second, completed in 1982, employed what is known as the "consumption" approach.

The change in approach, or methodology, has had enormous consequences for the trucking industry. The 1982 study applying the new methodology found that the heaviest trucks (those most directly competitive with rail) were paying far less than their fair share of highway costs. The 1982 study became the foundation upon which the Surface Transportation Assistance Act of 1982 rested.

The 1982 study was mandated by the Surface Transportation Assistance Act of 1978. That legislation did not direct DOT to employ any particular methodology or approach. The mandating legislation did require that the Department of Transportation act in concert with the Congressional Budget Office, but it did not direct any departure from the methodology employed in the 1965 study.

The industry is presently saddled with a cost allocation study that carries with it tremendous economic consequences. The study was done pursuant to a methodology not directed by the Congress and about which serious reservations have been presented. The question to be addressed is whether Congress should passively accept this undirected departure from prior practice or whether it should take a more active role in investigating industry concerns and directing cost allocation study procedure and methodology.

III Forum For Resolution

The last time the Congress made major policy decisions about financing the highway system and taxing motor carriers was in the lame duck session of the last Congress. Now, some of that work is being redone also in a highly compacted timeframe.

The problems of highway finance and the taxation of highway users deserve a more thorough hearing. With all due respect to the Congressional hearing process, the environment is simply not conducive to the exploration of major policy questions.

The present taxes funding the Highway Trust Fund expire October 1, 1988. Highway authorizations have been made through fiscal year 1986. What is needed is a pause in the process. What is needed is an opportunity for the industry, policy makers and all interested parties to take a look at where we've been in hopes of getting a better idea as to where we are going.

There is a bill before the Congress that would go a long way towards providing a forum for the exploration of some of these basic questions. The bill is H.R. 3612. It calls for the creation of a National Trucking Industry Commission and charges the Commission with the duty of conducting a study and proposing legislation "designed to achieve a fair, equitable and uniform system of taxation of the trucking industry by the States." The Commission's mandate could be broadened to enable it to work to recommend legislation that would achieve fairness and equity in the taxation of motor carriers by all levels of government. A copy of H.R. 3612 is attached.

Conclusion

We think that the time has come for a serious reassessment of the way we finance our highway system and tax those who make a living transporting freight over it. We would urge that whatever the Congress does with respect to the heavy vehicle use tax and diesel differential proposals presently before it, that it establish a National Trucking Industry Commission as contemplated by H.R. 3612 so that it can have the benefit of that body's findings before truck tax and highway finance issues must be revisited.

I

98TH CONGRESS
1ST SESSION

H. R. 3612

To establish the National Trucking Industry Commission.

IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1983

Mr. MURPHY introduced the following bill; which was referred to the Committee on Public Works and Transportation

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A BILL

To establish the National Trucking Industry Commission.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "National Trucking Industry Commission Act".

ESTABLISHMENT

SEC. 2. There is established the National Trucking Industry Commission (hereinafter in this Act referred to as the "Commission").

PURPOSE OF COMMISSION

SEC. 3. The purpose of the Commission is—

(1) to conduct a study of the trucking industry in the United States;

(2) to propose legislation designed to achieve a fair, equitable, and uniform system of taxation of the trucking industry by the States;

(3) to recommend legislation and administrative changes designed to improve the quality of such industry; and

(4) to prepare a report in accordance with section 7 describing the results of any studies conducted by the Commission and containing any suggestions for legislative and administrative changes recommended by the Commission.

MEMBERSHIP

SEC. 4. (a) NUMBER AND APPOINTMENT.—The Commission shall be composed of twelve members appointed as follows:

(1) The Secretary of Transportation or his designee.

(2) The Secretary of Commerce or his designee.

(3) Two Members of the Senate appointed by the President pro tempore of the Senate.

(4) Two Members of the House of Representatives appointed by the Speaker of the House of Representatives.

(5) Two individuals appointed by the President from among individuals who are especially qualified to represent the motor carriers of the Nation by virtue of such individuals' education, training, or experience.

(6) Two individuals appointed by the President from among individuals who are especially qualified to represent the shippers of the Nation by virtue of such individuals' education, training, or experience.

(7) One individual appointed by the President from among individuals who are especially qualified to serve on the Commission by virtue of their education, training, or experience in the field of economics.

(8) One individual appointed by the President from among individuals who are especially qualified to serve on the Commission by virtue of their education, training, or experience in the field of transportation and who are not officers, employees, or agents of, and have no financial interest in, any motor carrier or shipper.

A vacancy in the Commission shall be filled in the same manner in which the original appointment was made.

(b) POLITICAL AFFILIATION.—Not more than three members of the Commission appointed by the President under paragraphs (5), (6), (7), and (8) of subsection (a) shall be of the same political party. With respect to members of the Commission who are Members of the Congress, not more than one Senator and not more than one Representative shall be of the same political party.

(c) OFFICERS OR EMPLOYEES OF GOVERNMENTS.—No member of the Commission appointed by the President under paragraph (5), (6), (7), or (8) of subsection (a) shall be an officer or employee of any government.

(d) CONTINUATION OF MEMBERSHIP.—If any member of the Commission who was appointed to the Commission as a Member of the Congress or as an officer or employee of the Federal Government leaves that office or employment, or if any member of the Commission who was appointed from among individuals who are not officers or employees of any government becomes an officer or employee of any government, such member may continue as a member of the Commission for not longer than the thirty-day period beginning on the date the individual leaves that office or becomes such an officer or employee, as the case may be.

(e) TERMS.—Members shall be appointed for the life of the Commission.

(f) BASIC PAY.—

(1) Except as provided in paragraph (2), members of the Commission shall receive no pay, allowances, or benefits by reason of their service on the Commission.

(2) While away from their homes or regular places of business in the performance of services for the Commission, members of the Commission who are not officers or employees of the United States or Members of Congress shall be entitled to receive actual and necessary travel or transportation expenses, including per diem in lieu of subsistence, in the same manner as individuals employed intermittently in Government service are allowed expenses under section 5703 of title 5, United States Code.

(g) QUORUM.—A majority of the members of the Commission shall constitute a quorum but a lesser number may hold hearings.

(h) CHAIRMAN.—The Chairman of the Commission shall be designated by the President.

(i) MEETINGS.—The Commission shall meet at the call of the Chairman or a majority of its members.

STAFF OF COMMISSION; EXPERTS AND CONSULTANTS

SEC. 5. (a) STAFF.—The Commission may appoint and fix the pay of such personnel as the Commission considers appropriate without regard to section 5311(b) of title 5, United States Code, the provisions of such title governing appointments in the competitive service, or the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

(b) EXPERTS AND CONSULTANTS.—The Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

(c) STAFF OF FEDERAL DEPARTMENTS OR AGENCIES.—Upon request of the Commission, the head of any Federal department or agency is authorized to detail, on a reimbursable basis, any of the personnel of such department or agency to the Commission to assist the Commission in carrying out its purposes under this Act.

POWERS OF COMMISSION

SEC. 6. (a) HEARINGS AND SESSIONS.—The Commission may, for the purpose of carrying out this Act, hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Commission considers appropriate.

(b) POWERS OF MEMBERS OR AGENTS.—Any member or agent of the Commission may, if so authorized by the Commission, take any action which the Commission is authorized to take by this section.

(c) OBTAINING OFFICIAL DATA.—The Commission may secure directly from any department or agency of the Federal Government information necessary to enable it to carry out this Act. Upon request of the Chairman of the Commission, the head of such department or agency shall furnish such information to the Commission. In the case of any information requested by the Commission which is described in section 552(b) of title 5, United States Code, the President shall determine the extent to which, and the conditions under which, such information shall be made available to the Commission.

(d) MAILS.—The Commission may use the United States mails in the same manner and under the same conditions as other departments and agencies of the United States.

(e) ADMINISTRATIVE SUPPORT SERVICES.—The Administrator of General Services shall provide to the Commission, on a reimbursable basis, such administrative support services as the Commission may request.

REPORT

SEC. 7. The Commission shall transmit a final report to the President and to each House of the Congress not later than one year from the date of the enactment of this Act. The final report shall contain a detailed statement of the findings and conclusions of the Commission together with its recommendations for such legislation and administrative actions as it considers appropriate.

TERMINATION

SEC. 8. The Commission shall cease to exist thirty days after submitting its final report pursuant to section 7.

AUTHORIZATION OF APPROPRIATIONS

SEC. 9. There is authorized to be appropriated for fiscal years beginning after September 30, 1984, such sums as may be necessary to carry out this Act.

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Statement of
The Associated General Contractors of America
Presented To The
Committee on Finance
Of The
U. S. Senate
March 2, 1984
On The Topic Of
Legislative Initiatives Affecting The Highway Trust Fund

AGC is:

- More than 32,000 firms including 8,500 of America's leading general contracting firms responsible for the employment of 3,500,000-plus employees;
- 112 chapters nationwide;
- More than 80% of America's contract construction of commercial buildings, highways, industrial and municipal-utility facilities;
- Approximately 50% of the contract construction by American firms in more than 100 countries abroad.

The Associated General Contractors of America (AGC) represents more than 32,000 firms including 8,500 of America's leading general contracting companies which are responsible for the employment of more than 3,500,000 employees. These member contractors perform more than 80 percent of America's contract construction of highways, bridges, tunnels, dams, waste-water treatment facilities, transmission lines, refineries, among many other industrial and municipal-utility facilities.

AGC is pleased to comment on proposals to provide further exemptions from the taxes that finance the Highway Trust Fund (HTF). We are very concerned that these tax exemptions violate the user-pays principle of highway user fees and threaten the financial health of the HTF.

The Congressional Budget Office (CBO) has submitted testimony to the Congress that raises important questions regarding the financial status of the highway account in the HTF. CBO estimates that total receipts to the account from 1982 to 1986 will average $11.5 billion per year when interest on the cash balance is added. Authorizations for the same period will average $14.4 billion per year, which exceeds receipts by about $2.9 billion per year. The $9 billion cash balance in the trust fund and the delay between authorizations and outlays provide a cushion to absorb this shortfall for a few years, according to CBO, but the cash balance will be exhausted by 1989.

Any revenue projections of tax receipts and outlays are subject to many uncertainties from changing interest rates and adjustments in law. But it is clear that the HTF is not in a position to finance exemptions to highway user fees. The Surface Transportation Assistance Act of 1982 increased highway authorizations significantly, but the infrastructure needs of our highway system greatly exceed the money currently authorized. Further reducing trust fund receipts through increased exemptions will only further the gap between available revenues and these transportation infrastructure needs.

One of the current proposals for tax exemptions would increase the gasohol fuel tax exemption from four to nine cents with reimbursement from the general fund for the additional revenue loss. According to the Federal Highway Administration, the existing five cent per gallon exemption will result in losses to the trust fund of $196 million in FY 1984, rising to losses of $247 million per year by FY 1988. Expansion of the gasohol exemption to nine cents would expand the revenue loss to $467 million per year by 1988.

The proposal to reimburse the HTF from general tax receipts for the additional revenue loss will create other problems. The pressure to reduce, postpone or eliminate the reimbursement because of high budget deficits will be great. More importantly, the use of contract authority, which is key to the operation of the highway program, would be endangered.

Currently, contract authority is provided to the states without the funds being appropriated by the Congress. If over ten percent of the receipts to the HTF are from non-user fee sources, such as reimbursement from the general fund, highway funds would have to be appropriated by the Congress on an annual basis, which would prevent the use of contract authority. If gasohol production should rise to the 25 billion gallon level by 1990 as is now projected by some energy experts, a nine-cent exemption for gasohol could result in the need to replace $2.25 billion in lost Highway Trust Fund revenues with general tax revenues. A replacement of Trust Fund revenues of this magnitude could eliminate the use of contract authority, which would greatly disrupt the states' ability to plan and efficiently administer their highway improvement programs.

Subsidizing the gasohol industry may be sound policy to support farm prices and/or decrease our dependence on foreign energy supplies. But subsidizing the gasohol industry with highway funds is not sound policy. It violates the user fee principle and cannot be afforded by the HTF. If gasohol should be subsidized, the subsidy should not involve the trust fund. A car powered by gasohol contributes to the wear and tear of our highways and bridges as much as a car powered by gasoline or diesel fuel, and both cars should pay the same amount of highway user fees.

AGC does not support an expanded gasohol exemption that involves the HTF and urges the Committee to replace current gasohol exemption with a direct subsidy, instead of exempting part or all of it from highway user-fees, at the direct expense of the nation's highway repair program.

Also of importance to the trust fund is the effort to approve an alternative to the heavy vehicle use tax that is scheduled to go into effect July 1 of 1984. It is imperative for the HTF that any new tax generate the same level of revenues as the heavy vehicle use tax that is being repealed.

The goal of selecting an alternative tax that is equitable among different classes of trucks, can be easily administered and enforced, and is revenue neutral, provides sound and balanced criteria. In selecting an alternative, however, the revenue neutral goal must be met and should not be sacrificed as an expense of meeting the other two goals or to reach a compromise. The trust fund can afford no less and the other highway users who finance the fund should not be asked to accept anything less.

AGC will be pleased to assist the Committee on these issues as they are considered.

February 20, 1984
Thomas G. Harris
409 Tanglewood
Naperville, Illinois 60540

Chairman Robert Dole
Committee on Finance
U. S. Senate
Senate Office Building
Washington, D.C. 20510

Dear Chairman Dole:

I am Vice President of the Timber Division for Container Corporation of America and I would like to express my support of S. 1475 and H.R. 2124 as an alternative to the Heavy Vehicle Use Tax. I request that this letter be made a part of the official hearing record.

I recognize and support the need for the repair and maintenance of our nation's highways and bridges. However, I feel the diesel differential plan is a more equitable alternative to fund these repairs than the current Heavy Vehicle Use Tax.

1. The diesel differential plan will provide approximately the same revenue for the needed maintenance of our highways and bridges as will be collected under the Heavy Vehicle Use Tax provisions of the STAA of 1982.
2. The collection of a diesel fuel tax is less complex, less costly to administer and more difficult to evade, since the system to collect fuel taxes is already in operation.
3. The alternative is more equitable because it relates proportionately to a truck's impact on our highways and bridges.
4. An additional tax on diesel fuel will not discourage pulpwood and log truckers from licensing additional trucks during periods of peak demand. The Heavy Vehicle Use Tax will substantially lower the number of trucks available for peak demand periods, thus diminishing the production and earnings of these businesses.

For these reasons, I urge that consideration be given to replacing the Heavy Vehicle Use Tax provisions of the STAA of 1982 with a more equitable system as defined in H.R. 2124 and S. 1475.

Sincerely,

Thomas G. Harris

Thomas G. Harris

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SENATE FINANCE COMMITTEE
WASHINGTON, D.C.

FEBRUARY 9, 1984

As an independent trucker owning and driving one truck I would like to impress upon the members of this committee the serious consequences the Surface Transportation Act of 1982 will have on the Independent Truckers and their families.

The trucking industry is all ready in a poor financial condition due to the ecomonic conditions of the nation at this time. Adding the Surface Transportation Acto of 1982 will only compound our problems.

I also find many of the Amendments attached to the bill to be completely out of reason. Using the Road Use Tax money to study tax status of Religious orders is the wrong use of these funds. There are a great many other of these amendments which I find to be a bad use of Road Use Tax money. Money collected for Road Use Taxes should not be spent on countless studies and projects that are totally unrelated to highways or transportation.

I believed the purpose of the Surface Transportation Act of 1982 was to provide money for repair of highways and to create jobs; but find many ammendments to the bill to be a very wrong use of these tax monies.

I am familiar with the Surface Transportation Tax Bill of 1982 because I have a copy and have read it, which I'm certain not all Senators and Representatives did before they passed this legislation.

Please consider repeal of this legislation in favor of the Frenzil Bill which I find to be a much fairer way of collecting Road Use Taxes. The amount of Tax monies collected as written in the Frenzil Bill will generate the same amount of revenue with a fairer and more reasonable way of collecting road Tax money. The Highway Use Taxes should be collected as to the amount of miles traveled by paying vehicles. Collecting fuel taxes will accomplish this. Charging $1600 per year per power vehicle is unfair. Many trucks travel low mileage doing local hauling while others travel cross country driving as many as 200,00 miles per year. It is obvious that both of these two different operations should not be taxed the same.

Please consider these proposals when making your decision.

230 League Road
Colfax, Iowa 50054

Sincerely,
Verlan DeRaad
Verlan Dehaad
Colfax, Iowa 50054

Feb. 9, 1984

United States Senate
Finance Committee
Mr. Chairman;

The Surface Transportation Assistance Act of 1982, (Public Law 97-424), is the most outstanding example of deceitful, conniving, underhanded, power politics that I have ever known. The United States Congress passed this law in order to satisfy the President's request for a highway repair bill by the end of 1982, and in such a hurry that most members were not aware of all the provisions of this "christmas tree" bill, or aware of the destructive impact it will have on the trucking industry.

With very few exceptions, no attempt was made to determine the total cost to the industry, or its' ability to pay, and no attempt was made to delay the final bill until input could be provided by the industry that will be so adversly affected. The blame for such irresponsible action must be shared by the majority of the members of Congress, and especially by the committees which discussed, and passed the bill during its formulation. Fortunately, Sens. Helms, East, Nichols, and Humphrey had the courage to brave the wrath of their colleagues in trying to stop the congressional juggernaut, and in trying to protect the interests of the trucking industry, and especially the Independant Truckers.

It appears that the former Secretary of Transportation, and those who actually initiated the bill, had incorrect information about the amount of additional funds needed for highway repair, and it appears that some supporters of the bill had interests in competitive forms of transportation, and were therefore eager to place the trucking industry at a disadvantage, through taxation. Also, it appears that there was action and reaction among those who formulated the bill, due to personality and political conflicts, and many members of congress were allowed to add expensive and unnecessary spending provisions in order to gain their support.

Thus, the "christmas tree" was created, and all of this was done without any consideration of the economic plight of the trucking industry, current or future, and especially that of the small fleet operators and Independent Truckers.

After a self-serving Congress passed this bill, and adjourned for Christmas, the Administration was made aware of the devastating effect placed on the truckers, and ultimately on the general public, but the President signed the bill into law, either not understanding, or not caring how many individual truckers will be put out of business when all of the provisions of Public Law 97-424 take effect.

As a result of the proceedings which led to the Surface Transportation Act of 1982, I no longer trust the Administration or the Congress, to act in a responsible manner in matters of taxation and spending. If individuals have to spend most of their non-working time policing the Congress and the Administration in order to prevent the destruction of their means of earning a living, then that Congress and that Administration is not the servant of the people, and both must be replaced.

At the end of January, 1983, many truckers parked their trucks for two weeks, in protest of Public Law 97-424. They were called irresponsible outlaws by the government. Mr. Chairman, I say that the Congress and the Administration were the irresponsible outlaws, for creating such a destructive tax law in the manner that I have described, which is now common knowledge.

It is proper for those who cause damage and loss to others to made restitution. The United States Congress should make restitution to the trucking industry by repealing all of Public Law 97-424.

The most damaging and unfair portions of the law are the drastic increase in excise taxes on new vehicles, and the extreme increase in the federal highway use tax. The excise tax on a $70,000.00 class 8 truck-tractor will amount to $8400. Such an expensive purchase requires expensive financing.

The resulting interest charges on the total purchase price, even allowing for a substantial down payment, will further inflate the tax portion of the purchase. The old tax rate of ten per-cent of the wholesale cost of new vehicles was bad enough. The final cost of the new tax, including interest, will be equal to the purchase price of many new trucks just a few years ago. Such exorbitant, rediculous taxation will make the purchase of new equipment even more difficult, and reduced sales will result in less employment for the manufacturers, and even longer use of old equipment. This will not contribute to the economic recovery so highly touted by the Administration.

The Federal Highway Use Tax is a fixed rate tax, levied on power units regardless of the miles travelled during the tax period. Therefore it is not a true user tax. I am the owner of a tractor-trailer combination which is in the 80,000 lb. class. In past years, this vehicle did not travel more than 30,000 miles per year, because it was used in a local operation. Presently, I am useing an entirely different type of vehicle to earn a living, but it is a very meager living, therefore I anticipate useing the tractor-trailer on a part time basis, which means that it would travel even fewer miles than before. If this truck travels 10,000 miles per year, the cost of the tax at the new rate will be sixteen cents per mile the first year, for this tax alone. It will increase in following years to nineteen cents per mile. When this is added to the cost of fuel taxes, other road taxes, and license fees in my area, the total cost amounts to thirty-one cents per mile. In addition there are insurance and repair costs. Replacement of equipment is impossible. It will be impossible to operate this vehicle under these conditions. I have never enjoyed net earning of as much as one-third of the salary of the members of Congress who would now destroy my means of earning a living.

I call this economic slavery and dictatorship.

Presently, there are several bills in the Congress which would provide at least some relief from the destruction of the independant trucker. The most reasonable of these is H.R. 2124, sponsored by Rep. Frenzel. This bill would replace all fixed rate taxation, including the old, or current, Federal Highway Use Tax, with an additional increase in fuel taxes. I question the need for any additional taxes, but if they are unavoidable, then the only fair and equitable type of tax is a fuel tax.

The means for collecting fuel taxes is already in place. Increasing the amount will cause little or no additional accounting problem for fuel suppliers or users. Larger and heavier vehicles use more fuel, therefore will pay more in taxes. Those which travel more miles will pay more, and those which travel less will pay less. A modest increase in fuel taxes could be accepted by the operators of all vehicles now subject to the fixed rate highway use tax. Also, this would eliminate the accounting and reporting burden of the Federal Highway Use Tax.

Before any new taxes are levied, and before any existing taxes are increased, input must be sought from those who are affected from such taxes, and it must be guaranteed that the revenue generated by any type of highway use tax be used for highway and bridge repair and nothing else.

There are many others who use vehicles which are subject to excise and highway use taxes, on a low-mileage basis. Farmers, manufacturers, distributors, and local truckers. If use taxes are not reasonble and equitable for all users, then the Congress and its' committees have failed to provide an economic structure in which all can survive.

Sincerely,

D.S. DeBolt Jr.
Carroll Ohio

Box 298
Carroll, Ohio 43112

EASTERN INDUSTRIAL TRAFFIC LEAGUE, INC.

PLEASE REPLY TO:

R. C. DEVENNEY, Chairman of Board
General Transp. Manager
Sperry New Holland Div., Sperry Corp.
New Holland, PA 17557

D. L. HAMM, President
Distribution Mgr. - Eastern Region
Lever Brothers Company
New York, NY 10022

F. K. BAUER, 1st Vice President
Corporate Traffic Mgr.
Bird & Son, Inc.
East Walpole, MA 02032

R. J. JANER, 2nd Vice President
Vice President
Denenholz & Janer, Inc.
New York, New York 10001

J. PATRAIKO, Treasurer
Asst. Director of Traffic
American Home Products Corp.
New York, NY 10017

WM. P. JACKSON, JR.
Executive Secretary
P. O. Box 1240
Arlington, VA 22210

STATEMENT TO SENATE COMMITTEE ON FINANCE ON MODIFICATION OF THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982 AS PROPOSED IN S. 1475

February 9, 1984

My name is Richard C. Devenney, and I am Chairman of the Board of Directors of the Eastern Industrial Traffic League, Inc. (EITL), an organization representing shippers in the Northeastern United States. The territory covered by membership in the EITL includes the New England and Middle Atlantic states, down to and including Virginia. Members of EITL operate private truck fleets, and some of them are also affiliated with for-hire motor carriers.

The heavy truck use tax that was imposed by the Surface Transportation Assistance Act of 1982 will, if it goes into effect, cause considerable economic problems for the trucking industry, and particularly for small carriers that are the mainstay of truckload freight operations. Owner-operators will be particularly affected.

In an attempt to obtain a more equitable treatment for truck taxes at the federal level, EITL has joined with other interested organizations in forming the Coalition for

Equitable Truck Taxes. Rather than burden the record with additional comments, let me say that we share generally the concerns and positions set forth by other members of that group, although reserving the right to take independent action in the event those organizations later adopt a position contrary to the one we espouse.

In any event, it is absolutely certain that major changes need to be made so as to decrease the front loading feature of the heavy truck use tax. H.R. 2124 and its companion measure, S. 1475, meet the basic objections which we have to the present tax in major part. I therefore want to express support for these measures on behalf of the League.

SENATE FINANCE COMMITTEE
WASHINGTON, D.C.

February 9, 1984

I have been trucking for 45 years as a one truck owner-operator and never has the trucking costs been as high with the revenue not keeping up with the costs. The Railroads are subsidized by the Federal and State governments and this provides unfair competition.

The Surface Transportation Act of 1982 will put many more truckers out of business. Some of the unfair provisions of the Act is to use money for Ferryboat Study between St. Criox and St. Thomas in the Virgin Islands, the study of Methane conversion, Highland scenic Highway (Monongahela National Forest, Scenic and Recreational Purposes, with NO TRUCKS ALLOWED), Research and Planning (Indian Lands), State of Massachusetts will not have to repay 80%-- a loan from an urban Mass Transit Loan mad on Dec. 20, 1976 and Limits removed on Merchant Marine Loans. These with many other unfair provisions are in the Bill--We have a copy of the bill and have read same. I can't believe the Senators and Representatives read or understood this bill when they passed it in a hurry to go home for Christmas. We understood the Bill was to repair the highways and provide jobs, the special PORK BARROLL PROJECTS will do neither.

We are in favor of the Frenzil Bill No.H.R.2124, which we feel is the more fair way of collecting the road taxes.

Also the excise tax has been increased on truck tires and taken off passengers cars, pickup and vans tires, while all of these vehicles cause wear and tear on the highway. Do you realize "if you got it--a truck brought it"? The things that are hauled are all things you use each day, the trucker doesn't just haul to each other.

Henry Erskin

Ella Erskin

Box 138
Prairie City, Iowa 50228

THE FERTILIZER INSTITUTE
1015 18th Street, N.W.
Washington, D.C. 20036

GARY D. MYERS
President

(202) 861-4900
Telex: 89-2699

February 9, 1984

The Honorable Robert Dole
Chairman
Committee on Finance
U. S. Senate
Washington, D. C. 20510

Dear Mr. Chairman:

On behalf of the fertilizer industry, we respectfully request that this letter be entered into the record as The Fertilizer Institute's (TFI) comments in regard to the Senate Finance Committee's February 9, 1984, hearing on alternatives to the tax on the use of heavy trucks. TFI commends you for considering alternatives to this tax, mandated by the Surface Transportation Assistance Act and scheduled to go into effect July 1, 1984.

In analyzing the heavy use tax, we find that seasonal, relatively low mileage highway trucks such as those used for farming, and especially for fertilizer delivery and application, will be required to pay a user fee equal to over-the-road transport traveling thousands of miles a year. Thus, we support your efforts to redistribute the highway user tax burden and, at the same time, maintain revenue levels necessary for highway maintenance and bridge repair as outlined in the STAA.

We understand that the following alternatives are under consideration:

- A heavy vehicle use tax range of between $300 and $700 which will apply only to vehicles 55,000 pounds or more.
- An increase in the diesel tax of five to seven cents, with a 10,000 pound vehicle exemption.
- A continuation of the 5,000 mile exemption, available under current law, with the possibility of increasing it to 10,000.

The Fertilizer Institute is pleased with the direction of these proposals. We support prompt legislative action that would eliminate inequities in the law for farm and fertilizer vehicles.

Sincerely,

Gary D. Myers

GDM:pdg

cc: Members, Senate Finance
Committee

STATEMENT

of the

FOOD MARKETING INSTITUTE

The Food Marketing Institute (FMI) appreciates the opportunity to present its views on alternatives to the heavy truck use tax.

The Food Marketing Institute (FMI) is a non-profit association that conducts programs in research, education and public affairs on behalf of its 1,300 members--food retailers and wholesalers and their customers in the United States and overseas. FMI's domestic member companies operate over 17,000 retail food stores with a combined annual sales volume of $130 billion--half of all grocery sales in the United States. More than three-fourths of FMI's membership is comprised of independent supermarket operators or small regional firms.

Food retailers and wholesalers, individually and collectively, are among the largest users of truck transportation in the nation. Essentially every item on the shelves of our nation's supermarkets and grocery stores arrives at the retail outlet by truck. The cost of transporting these items is a significant part of the total price consumers pay for essential food products. According to the Department of Agriculture over five cents of every consumer dollar spent on food goes to transportation. Last year our nation's consumers spent a total of $252 billion in food and grocery stores. Extrapolating from USDA's figures, $125 million of this total went for transportation.

Moreover, taxes now take an additional four cents of every food dollar and it's estimated that another fraction of a penny is absorbed by compliance with government regulations. So food distributors and our customers have a vital interest in this issue.

The Surface Transportation Assistance Act of 1982 (STAA) increased the heavy truck use tax from a maximum of $240 per year for the heaviest vehicles to a maximum of $1900 per year (phased in over a 4 year period). This huge increase is on top of the nickel a gallon fuel tax increase. It is also in additon to rapidly escalating state tax and license fees. The end result is a harsh and inequitable increase in the tax burden for all operators and users of heavy trucks, especially food distributors. FMI and its members believe it is imperative that the unfair tax burden created by the STAA be modified.

It is essential to keep in mind that it is not just what is generally considered the "trucking" industry that pays these taxes. Indeed, the vast majority of the trucking equipment on our nation's highways belongs to private fleets. These companies, including food retailers and wholesalers, who use their own equipment in furtherance of their primary business, will be among those hardest hit by the recent tax increases. In fact, a number of FMI's members' individual tax burden will increase by more than $1 million just in 1984 as a result of the STAA. In the end, consumers will pay for these exorbitant tax increases.

In considering alternatives to the current heavy truck tax it is important to note that the STAA tax structure is inequitable in many ways. This is not surprising since the structure of the tax was developed quite hastily under the pressure of a lame duck session of Congress. As the Department of Transportation itself acknowledges:

> . . .[Since] the heavy truck use tax rate is based solely on gross registered weight and the rate reflects the vehicle class average tax liability, disparities between tax payments and cost responsibility can occur for the individual taxpayer. Vehicles within a class will subsidize each other if they fall above or below the class average liability. This occurs because the heavy truck use tax rate neglects individual differences in vehicle VMT, place of travel, and operating axle loads.

Moreover, the so-called tax is not a "use" tax at all. It is a property tax, bearing no relationship to miles traveled or highway use. Short-haul operators pay the same amount as over-the-road truckers. Adding to the harshness of the tax, it must be paid in a lump sum fashion. There is no "pay as you go" ingredient to the tax.

There is an additional element of unfairness that is especially burdensome to food distributors. The tax is based on the gross registered weight of the equipment. Gross registered weight reflects the maximum weight that the vehicle can hold. Food retailers and wholesalers often ship mixed loads and light weight products such as paper goods. Even fully loaded shipments of these products travel the highway at a far lighter weight than the gross registered weight. But the vehicles are taxed at the registered weight. This is patently unfair.

FMI supports the concept of a "diesel differential" tax as a substitute for the STAA use tax. We believe that S.1475, which would repeal the use tax and substitute an additional five-cents per gallon tax on diesel fuel, would be a good alternative to the current situation.

The diesel differential tax has several advantages. It would be a true use tax that would be paid at the pump as the vehicles use the highways. The incidence of the tax would fall most heavily on the largest vehicles which use more fuel per mile than lighter vehicles. By diminishing the total tax burden on these vehicles, however, the diesel differential would encourage the efficient use of equipment that has proven to be among the most productive on the road. One of the negative aspects of the STAA tax structure, in our view, is the fact that it punishes users of combination units weighted at 75-80,000 pounds. The use tax creates a disincentive to use these larger, more efficient vehicles.

In addition, the diesel differential is administered in a relatively easy manner. And most importantly it is both equitable and affordable.

At this time S. 1475 is not "revenue neutral." Because it was not enacted in 1983 it will fall slightly short of the total revenue raised by the STAA. We agree that it is essential for any modification in the law to be revenue neutral. However, we are confident that with some slight and reasonable adjustments, S. 1475 could be made revenue neutral without sacrificing equity.

In conclusion, FMI appreciates the Committee's timely consideration of this issue and we urge prompt enactment of reasonable and equitable reform legislation.

Respectfully submitted,

Harry Sullivan
Senior Vice President
and General Counsel

STATEMENT TO:

SENATE FINANCE COMMITTEE

BY THE:

FOREST PRODUCTS TRUCKING COUNCIL
1619 MASSACHUSETTS AVENUE, NW
WASHINGTON, DC 20036

ON

ALTERNATIVES TO THE TAX ON USE OF HEAVY TRUCKS

INTRODUCTION

The Forest Products Trucking Council (FPTC) is a voluntary, nonprofit, unincorporated trade association, comprised of the following 33 state, regional, and national forestry associations:

Alaska Loggers Association
American Pulpwood Association, Inc.
Arkansas Forestry Association
Florida Forestry Association
Inland Forest Resource Council
Iowa Wood Industries Association
Louisiana Forestry Association
Maine Forest Products Council
Maryland Forests Association
Massachusetts Wood Producers Association
Michigan Association of Timbermen
Minnesota Timber Producers Association
Montana Logging Association
New Hampshire Timberland Owners Association
New York State Timber Producers Association, Inc.
North Carolina Forestry Association
Northeastern Loggers' Association, Inc.
Northern Hardwood and Pine Manufacturers Association, Inc.
Northern Woods Logging Association
Oklahoma Forestry Association
Oregon Forest Products Transportation Association
Pennsylvania Forestry Association
South Carolina Forestry Association
Southeastern Lumber Manufacturers Association
Southern Forest Products Association
Southern Hardwood Lumber Manufacturers Association
Southern Hardwood Traffic Association

Southern Oregon Timber Industries Association
Tennessee Forestry Association
Texas Forestry Association
Timber Producers Association of Michigan and Wisconsin
Vermont Timber Truckers and Producers Association
Wood Producers Association of Connecticut

The Forest Products Trucking Council represents its members on issues that affect the trucking of pulpwood, woodchips, logs, and other unprocessed wood fiber from the forest to the mill. Objectives of the FPTC include promoting the interests of pulpwood and log trucking, encouraging discussion, gathering and sharing information on safe and efficient forest products trucking, representing the forest products trucking industry in legislative affairs and regulatory efforts, and developing voluntary trucking standards. The American Pulpwood Association Inc., an FPTC member, serves as the Council secretary.

CHARACTERISTICS OF LOG TRUCKING

Individual members of the associations represented in this statement are typically small businessmen who generally own three or fewer trucks and are deeply involved in virtually all aspects of forest products harvesting and transportation. In most cases these businesses are family-owned and staffed and employ fewer than eight employees.

Many of the characteristics of log trucking are extremely similar to a farmer's "farm-to-market" trucking operation. In fact, in some regions farmers frequently haul pulpwood and logs during periods of low farming activity.

Pulpwood and log trucks, for obvious reasons, travel primarily over the little-used back roads in the forested regions of our country. Pulpwood and logs are a relatively low-value, high-bulk commodity, and truck-haul distances are kept to an absolute minimum to reduce raw material costs. The majority of our pulpwood and log trucking members make one or two 30-130 mile round trips per day and average 25,000-60,000 miles per year on their trucks.

Forest products trucking is notably similar to farm-to-market transportation in that it is a short-distance, one-way operation, with no loaded back haul when the log truck returns from the mill to the forest.

A study of over 6,000 Southern pulpwood logging operations made in 1979 inventoried 1,270 tractor-trailer combination trucks and an additional 1,817 tandem and tri-axle trucks which would be subject to the heavy vehicle use tax imposed by STAA. Also inventoried were 4,717 single-axle trucks, which would be mostly unaffected. The ratio of tractor-trailers used in pulpwood transportation in the Lake States in a 1978 survey was 62%, and tandems and tri-axles represented 32%. Only 6% of the trucks used were single-axle. In the West virtually all trucks used in log transport are tractor-trailer units.

Logging, although a year-round activity in most forested regions, is subject to production stoppages and slowdowns caused by bad weather and by market restraints. Many efficient loggers maintain extra or standby trucking units to enable them to take advantage of good weather conditions or high market demand. The heavy use tax imposed by STAA will make it economically difficult or disadvantageous to license these standby trucks and greatly diminish the production and earnings of these businessmen.

FOREST PRODUCTS TRUCKING COUNCIL POSITION ON HEAVY VEHICLE USE TAX

Log and pulpwood truckers, although already burdened with many and varied state and federal taxes, recognize and support the need for the repair and maintenance of our nation's highways and bridges. The five cent increase in fuel taxes called for in the Surface Transportation Assistance Act of 1982, while a significant additional tax burden, is acceptable because it is a "pay as you go" tax and can be "passed through" to the log purchaser.

The increase on large combination trucks from $240 to $1,900 in the heavy vehicle use tax legislated in the 1982 STAA, however, represents a "property tax" which discriminates against pulpwood and log truckers, whose annual mileage on our nation's highways is much less than that of truckers engaged in long hauls. The FPTC urges that the current heavy vehicle use tax be replaced with an additional increase in the diesel fuel tax. This is an alternative that will not only work but will be fair to all truckers because it is a "pay as you go" tax. FPTC favors this approach, which is embodied in H.R.2124 (Frenzel, R-MN) and S.1475 (Wallop, R-WY). Specifically, these bills replace the heavy vehicle use tax with an offsetting increase in the tax on diesel fuel.

FPTC feels the diesel differential plan is an equitable and excellent alternative to the heavy vehicle use tax because:

1) The diesel differential plan can be structured to be revenue-neutral, providing D.O.T. with essentially the same revenue for highway and bridge maintenance and repair as will be collected under the heavy vehicle use tax provisions of the STAA of 1982.

2) From the Treasury Department standpoint, and for reasons of taxpayer equity, FPTC feels the collection of a diesel fuel tax is less complex, less costly to administer, and very difficult to evade. In fact, the system to collect fuel taxes is already set up and in operation.

3) A tax on diesel fuel is more equitable because it relates proportionately to a truck's impact on highways and bridges. It is also easier for truckers to understand, allocate in their cost-accounting systems, and pass through to customers.

4) An additional tax on diesel fuel will not discourage pulpwood and log truckers from licensing additional (or spare) trucks for peak periods of demand. The heavy vehicle use tax will substantially cut down the number of log trucks licensed and available for peak periods of demand.

There seems to be some indication that D.O.T. and other Administration officials feel the 1982 STAA concessions granted on truck weight, width, and use of double trailers will allow truckers the opportunity to offset or recoup a major percentage of the heavy vehicle use tax. While this may be applicable for some segments of the trucking industry, it is certainly not true for the pulpwood and log trucking segment. Most of our members operate in states where the 80,000 pound limit was already in effect. The new 102-inch maximum width won't increase our payloads, and the opportunity to use double trailers is almost nonexistent, because we haul mostly over rural or county roads where they are still generally prohibited.

The FPTC feels that replacing the heavy vehicle use tax with an offsetting increase in the tax on diesel fuel is an alternative that meets the tests of simplicity, ease of collection, and economy of administration. For these reasons the FPTC, on behalf of its individual pulpwood and log trucking members, asks that serious and prompt consideration be given to replacing the heavy vehicle use tax provisions of the STAA of 1982 with a more equitable "pay as you go" diesel fuel tax.

TESTIMONY OF THE INSTITUTE OF SCRAP IRON AND STEEL, INC.

The Institute of Scrap Iron and Steel, Inc., supports S. 1475 as the best alternative to the heavy truck use tax. The diesel differential is the superior approach for raising revenues that the so-called use tax was intended to generate.

The Institute is the national trade association representing America's processors of metallic scrap for recycling. Many industry-owned trucks perform the essential task of collecting recyclable metals from diverse generation and collection points and, increasingly, the distribution function for prepared scrap to consuming steel mills and foundries.

Typically a processor operates a small fleet (7 to 15 vehicles) over short distances that rarely exceed 200 miles. The registered or operating weights of fleet vehicles generally fall in the range of 33,000 to 80,000 pounds. Under the soon to be effective July 1, 1984 truck tax, the cost of operating a typical size fleet rises nearly $12,000 without regard to any change in the vehicles' highway use or income-producing activity. The metallic scrap processing industry cannot absorb these added costs without negatively impacting the volume of metallic recycling and national conservation goals.

The industry is unique with regard to its use of tires. Tire service life is limited as much, if not more, by the higher-than-average frequency of cuts and punctures in processing facilities, collection and distribution points than by mileage-related tread wear. The industry buys the same heavy tires used by commercial truckers operating 18 wheel rigs for many thousands of miles more than the processor. The average life of such tires is significantly shorter in the recycling industry since tires are lost due to puncturing and cutting, not mileage. Tread wear following long highway use is not the predominant reason for new purchases. Consequently, the tire tax places an inordinate burden on the metallic scrap processor. For each truck tire replaced in 1984, a scrap processor will pay at least twice as much in taxes as was paid in 1983.

The problem is clear: under the heavy truck use tax a vehicle recording 20,000 miles per year is taxed the same as a rig traveling over 100,000 miles annually; with the tire tax, the purchaser pays regardless whether tread wear or punctures occasion the replacement.

The choice among solutions is clear, too. First, an added tax on diesel fuel can supply the revenue lost by eliminating the use tax. And second, fairness can be enhanced by providing the recycling industry a credit for the federal excise tax on tires.

A fuel tax is a desirable alternative to the heavy truck use tax. In fact, the tax on new heavy tires and the tax on registered heavy trucks have something in common. Purchases of heavy tires and registration are treated as proxies for highway maintenance costs allegedly attributable to heavy trucks. As applied to the metallic scrap industry motor carrier operations, they are gross mismeasurements. In the case of new tires purchased by the industry, the tires are replaced because of frequent punctures, not because of wearing out in over-the-road use. In the case of vehicle registrations, there is a very wide variation within the industry between the lowest mileage per vehicle and the highest mileage per vehicle totally ignored by the flat tax on registration.

S. 1475 is a desirable solution because:

- the diesel differential is collected on a pay-as-you go basis, as a vehicle uses the highway to generate income for its owner;
- fuel consumption is actually correlated with a particular vehicle's mileage and running weight so that the attribution of responsibility is not subject to the vagaries of statistical methods used by one study or another;
- the tax collection methodology for diesel fuel is efficient and well-established;
- the method for distinguishing recycling activities for tax credits is not new (cf., the investment tax credit for equipment used for recycling); and
- support for the diesel differential as a complete replacement for the so-called use tax is widespread among those who would bear either tax.

The industry supports S. 1475 as coming closest to meeting the needs of the economy and the metallic scrap processors.

STATEMENT OF
INTERSTATE CARRIERS CONFERENCE

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ON

HEAVY TRUCK USE TAXES

February 9, 1984

* * * * * * * *

Mr. Chairman and Members of the Committee, this statement is filed in conjunction with the Committee hearing to consider various alternatives to the truck tax increases contained in the Surface Transportation Assistance Act of 1982.

The Interstate Carriers Conference, a national organization representing more than 750 for-hire common and contract motor carriers of property, is an affiliate of the American Trucking Associations. Members of the Conference range in size from those with only a few units of equipment to companies operating 500 or more vehicles. They vary in terms of operating revenues, some 30 percent having gross revenues of less than $1,000,000 annually and 20 percent having more than $10,000,000. In the aggregate, no other group of carriers makes more extensive use of the services of owner-operators (independent contractors).

We favor S. 1475, fully aware that the 5-cent diesel fuel tax increase as written when the bill was introduced in June of last year would have to be adjusted upward today. Therefore, in all references to S. 1475 we do so with the understanding that it will have to be amended beyond the 5 cents in order to produce revenue lost by the provision repealing the heavy use tax in full.

It is the negative impact of the heavy use tax, in whatever amount, on carriers and self-employed owner-operators that concerns us.

Consider the already immense investment and expenses needed for a man or woman to be an owner-operator.

It is not unusual for a no-frills tractor to cost $70,000, which includes the new 12 percent federal sales tax. That, in itself, is in excess of the cost of the average home in the United States today (and keep in mind that the independent truck operator in many cases is also making payments on a home in addition to supporting a family). The tractor customarily carries a five-year note. Subtracting 10 percent as a down payment, that leaves the owner-operator with monthly principal and interest payments of well over $1,500. That, of course, is before his or her "normal" costs for insurance, fuel, tolls, maintenance, operating permits and on-the-road living expenses. It is also necessary to set aside reserves for unanticipated expenses such as $250 to $300 for a blown-out tire or $10,000 for replacing an engine. That leaves precious little for "salary," personal savings or normal family living expenses.

The Surface Transportation Assistance Act of 1982 has already added to the owner-operator's burden with the increased federal taxes on fuel*, tires, and trucks and trailers.

Total repeal of the heavy use tax, coupled with an X-cent-a-gallon increase in the diesel tax, would ease to some extent the impact and burden on owner-operators and trucking companies alike. It would be easily collectible and would restore the pay-as-you-go principle of the Highway Trust Fund, whereas the inflexible use tax penalizes the operator who drives 50,000 miles a year vis-a-vis the one who drives 100,000 or more.

Repeal of the heavy use tax called for in S. 1475 would be of especial relief for smaller carriers and the thousands of individual owner-operators, many of whom could conceivably have to borrow all or part of the $1,900 that would be due before they could purchase their state licenses. Further down the road, we would like to see an end to the 12 percent truck sales tax and the tax on tires, replaced with just a single tax on fuel.

# # # # #

Respectfully submitted,

Stanley Hamilton
Executive Director
Interstate Carriers Conference
1616 P Street, N.W.
Washington, D.C. 20036

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*And increases have been voted in many of the states, with the tax ranging from 6.5 cents in Oklahoma and Texas to 17 cents in Montana.

February 9, 1984

Senate Finance Committee Hearings
Washington D.C.

RECEIVED FEB 13 1984

Committee Members:

My views concerning the Surface Transportation Act of 1982 relate to the fact that the burden of highway construction and repair falls on large trucks. However, what we haul is not for our personal use only. Every person benefits from the highways, because their food, clothing, etc., are obtained from truck transportation, regardless whether they use the highways or not.

In the present conditions which we are operating under, Ican see no way for heavy trucks to pay the enormous increase in users fees, or how funds appropriated for construction and repair of highways and bridges should be used for projects such as, a study of vending machines in rest areas, parking facilities for car and van pools. ferry boat study, and others just as ridiculous.

However, as an alternative to the original bill, I do support Congressman Frenzel's bill H R 2124, not as a less tax, but as a more fair way of generating revenue.

Ronald Heinrichs, President
Iowa Division of Independant
Truckers
Estherville, Iowa

Ronald Heinrichs

IOWA BETTER TRUCKING
BUREAU

328 LIVESTOCK EXCHANGE BLDG. • SIOUX CITY, IOWA 51107
TELEPHONE (712) • 277-4145 • 277-4146 • 277-4147

BRENDA K. WASHBURN
General Counsel

Hearing Title: ALTERNATIVES TO TAX ON USE OF HEAVY TRUCKS

Hearing Date: February 9, 1984
2:30 P.M.

Hearing Room: SD-215

The Iowa Better Trucking Bureau, Inc. of Sioux City, Iowa requests the following written testimony regarding Section 513 of the Surface Transportation Assistance Act of 1982 be submitted for the record.

By way of introduction, the Iowa Better Trucking Bureau (IBTB) is a trucker service organization for approximately 500 truck lines in the regional area -- Northwest Iowa, Southeast South Dakota, Northeast Nebraska. Our clientele range from the one truck owner-operator to fleet size regulated carriers as well as several private carriers. We service a representative cross-section of the trucking industry and observe problems unique to each class. We feel qualified, therefore, to comment on §513 and make recommendations for alternatives to the law as now enacted.

Pursuant to §513 as enacted, the majority of our truckers will have to pay $1600 per truck on July 1, 1984. For a truck line owner with just ten trucks, the tax due will be $16,000. For most, this is a lump sum payment one cannot afford to pay due to limited cash flow and decreased business. Many truckers will be forced to cease business. It is as simple as that.

The Federal Highway Administration has determined that equity is to be the primary goal in developing highway user charges. Also, consideration must be given to economic efficiency, collection and compliance and administrative costs. It seems none of these goals or considerations were fully taken into account when §513 was drafted. And, §513 as enacted, did most assuredly fall very short of achieving any of these goals.

The major flaw in §513 it seems, is that although greater equity was acheived based on the weight of different vehicle classes, there is no accounting for use. Thus, the 10,000 mile 80,000 pound truck must pay the same amount of tax as the 120,000 mile 80,000 pound truck. This fact flies in the face of the two measures generally used in determining an equitable tax--cost occasioning (those who use shall pay) and benefits received (those who get more, pay more). Thus, §513 fails to achieve the desired equity a highway user tax seeks to impose.

There is a strong movement in the state and federal administrations to implement a weight-distance tax. Such tax could be state or federally imposed. This type of tax structure, it is said, provides the most equity among vehicle classes and within vehicle classes. This may be so, but what about the other considerations that need to be examined, i.e. administrative feasibility, payment ease, economic efficiency. A weight-distance tax is cost prohibitive at this time due simply to the great administrative cost involved in implementation and collection. The dollars collected from the tax would be pennies by the time it was sifted down to the highway trust fund to be used for roads. Also, a weight-distance tax seems inconsistent with a strong movement by the federal D.O.T. to simplify and make uniform state motor carrier laws and regulations. (See H.R. 4518 attached) What a weight-distance tax would result in is another reporting requirement for the trucker who already files ten to twenty quarterly fuel reports. It is our strong feeling that the "equitable" weight-distance tax loses that advantage when balanced against the administrative burden it would create for agencies and truckers as well as the resulting drain of monies from the road use fund to pay for increased administrative costs.

An alternative that is more equitable for the different vehicle classes and within the vehicle classes is a combination diesel differential and use tax. This type of tax would bring into consideration both weight and use. Also, this alternative seems advantageous from an administrative view as well as compliance, collection, and enforcement. The collection and administrative scheme is already set into place to collect an increased diesel tax. And, keeping the use tax at pre-STAA rate levels would enable the use of Form 2290 as is.

In addition, this alternative is close to being revenue neutral. If there is a 5¢ diesel increase and the pre-STAA use tax structure is used, there would be almost the same revenue generated as STAA '82. (Alternatives to Tax on Use of Heavy Trucks, Report to Congress, D.O.T. January, 1984, p. VI-6). This type of alternative would impose a tax on all vehicles over 26,000 pounds who use the highways as well as impose a use tax on the heavier vehicles who have a greater share of cost allocated to them. Thus, the lighter vehicle is not paying a disproportionate amount. It should be noted that we feel the 5000 mile exemption present in S513 should be retained in this proposed alternative.

Therefore, we would encourage legislators to consider DOT 2 as the best possible alternative. This to us seems the most realistic alternative as well as the most equitable.

The bottom line is that our country must have and maintain a sound transportation system. This means we must have good roads. The trucking industry knows this and is willing to pay their fair share of the cost involved in developing and maintaining a good road system. It should also be pointed out that a good transportation system needs trucks and good service by those trucks. Trucks can only provide this service under good economic conditions, which they have not experienced in the last few years and which a 800% increase in heavy use tax only worsens. We cannot encourage enough the extreme importance of enacting an acceptable alternative to §513, such as the DOT 2 proposal. The industry cannot absorb a giant increase in tax as promulgated by §513.

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H.R.4518
                                                         (CG98) 11/18/83
Rep Howard, (Cos=3)                 House Public Works and Transportation

SUMMARY:
 (Abstract as introduced):
     Establishes in the Department of Transportation a working group to advise,
consult with, and make recommendations to the Secretary of Transportation
regarding uniform State regulation of interstate motor carriers.

DETAILED STATUS STEPS:

                              HOUSE ACTIONS
Nov 18, 83  Referred to House Committee on Public Works and Transportation.
      Dec  1, 83  Referred to Subcommittee on Surface Transportation.
PAGE 1 OF 1. READY FOR NEW COMMAND OR NEW OPTION: 1
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H.R.4518
                                                         (CG98) 11/18/83
Rep Howard, (Cos=3)                 House Public Works and Transportation

[illegible] AS INTRODUCED:
     [illegible] Uniform State Regulations of Interstate Motor Carriers Act of
[illegible] working group
[illegible]
[illegible] affecting the
trucking industry. Directs the working group to advise, consult with, and
make recommendations to the Secretary of Transportation regarding uniform
State regulation of interstate motor carriers.
PAGE 1 OF 1. READY FOR NEW COMMAND OR NEW OPTION:
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I

98TH CONGRESS
1ST SESSION

H. R. 4518

To establish in the Department of Transportation a working group on National Uniform State Regulation of Interstate Motor Carriers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 1983

Mr. HOWARD (for himself, Mr. SNYDER, Mr. ANDERSON, and Mr. SHUSTER) (by request) introduced the following bill; which was referred to the Committee on Public Works and Transportation

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A BILL

To establish in the Department of Transportation a working group on National Uniform State Regulation of Interstate Motor Carriers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. This Act may be cited as the "National Uniform State Regulation of Interstate Motor Carriers Act of 1983".

SEC. 2. (a) There is established in the Department of Transportation a working group whose members shall be appointed by the Secretary of Transportation (hereinafter the Secretary) in consultation with State Governors and organizations of State officials concerned with State truck registration and tax administration. The membership shall be composed of State officials representing agencies with expertise in vehicle registration, fuel tax, and third structure tax practices affecting the trucking industry. No more than one member of the working group shall be appointed from each State. The Secretary, or an official of the Department of Transportation appointed by the Secretary, shall be a nonvoting member of the working group. The Secretary may name such additional nonvoting members, representing interested parties or perspectives, as necessary. The limitation on membership from each State shall not affect the naming of nonvoting members. Nonvoting members shall not be eligible for compensation for expenses under subsection (c) of this section. The term of a member shall not exceed twelve months unless the Secretary, in his or her discretion, determines otherwise. The working group shall not be subject to the provisions of the Federal Advisory Committee Act (5 U.S.C. App. I).

(b)(1) The working group shall advise, consult with, and make recommendations to the Secretary regarding uniform State regulation of interstate motor carriers. The working group is authorized to develop and recommend to the Secretary standards for uniform State regulation of interstate motor carriers in regard to vehicle registration, fuel tax, and third structure tax requirements. Topics considered by the working group in formulating their recommendations shall include, but not be limited to—

(A) standardized procedures and forms;

(B) base State certification;

(C) single State unit for filings, applications, and permits;

(D) payment to the base State of fees and taxes due other States; and

(E) ensuring prompt and equitable distribution of revenues.

Such standards shall not define or limit the amounts of any State registration fees, fuel taxes, or third structure taxes.

(2) The working group shall also—

(A) define an approach to resolve any discrepancies in States' implementation of standards ultimately promulgated by the Secretary;

(B) identify permanent bodies to develop and recommend future modification of such standards, and

(C) consult with public and private interests (for example, citizens representing safety and tax issues; owner-operators; trucking and shipping associations) contributing to, affected by, or concerned with State motor carrier requirements during the development of the standards.

(c) Voting members of the working group shall, while attending meetings or conferences of such working group or otherwise engaging in the business of such working group, be entitled to receive compensation at a rate fixed by the Secretary, but not exceeding $100 per diem, including traveltime. While away from their home or regular places of business, voting members of the working group may be allowed travel expenses, including per diem in lieu of subsistence, as authorized in section 5703 of title 5, United States Code, for persons in the Government service employed intermittently. Payments under this subsection shall not render members of the working group to be employees or officials of the United States for any purposes.

(d) The recommendations required by subsection (b) of this section shall be submitted to the Secretary within twelve months from the date of enactment of this Act.

(e) The Secretary may initiate rulemaking after receiving such recommendations, or in the absence of recommendations within twelve months after the date of enactment of this Act, may promulgate regulations implementing such standards as described in subsection (b)(1) of this section.

(f)(1) After the effective date of any regulations promulgated under this Act, no State shall impose administrative requirements that are in excess of the standards promulgated under subsection (e) of this section.

(2) The Attorney General of the United States is authorized to institute any civil action for injunctive relief as may be appropriate to assure compliance with the provisions of this Act. Such action may be instituted in any district court of the United States in any State where such relief is required to assure compliance with the terms of this Act. In any action under this Act, the court shall, upon a proper showing, issue a temporary restraining order or preliminary or permanent injunction. In any such action, the court may also issue a mandatory injunction commanding any State or persons to comply with any applicable provision of this Act, or any rule issued under authority of this Act.

(g) The Secretary is authorized to expend funds made available under section 104(a) of title 23, United States Code, to carry out the provisions of this Act.

O

Febuary 9,1984

Senate Finance Committee
Washington, D. C.

As an Independent Trucker owning and driving trucks for 25 years I would like to impress upon the members of this committee the serious consequences the Surface Transportation Act of 1982 will have on Independent Truckers and their families. The Trucking Industry is all ready in a poor financial condition due to the economies conditions of the nation at this time. Adding the Surface Transportation Act of 1982 will only compound our problems.

We also find many of the amendmants attached to the bill to be completely out of reason. Using Road Use Tax money to study tax Status of Religious orders is the wrong use of this funds. There are a great many other of the amendmants which find to be a bad use of the Road Use Tax money. The money collected for Road Use Taxes should not be spent on countless studies and projects that are totally unrelated to Hiways or Transportation.

We beleive the purpose of the Surface Transportation Act of 1982 was to provide money for repair of Hiways and to create jobs but we find many amendments to the bill to be very wrong use of the tax money.

I am familiar with the Surface Transportation Act of 1982 since I have seen and read the bill, which I am very sure many of the Senators and Representatives have not done so before they passed this legislation.

Please consider repealing of this legislation in favor of the Frenzil Bill which I find to be a much fairer way of collecting Road Use Taxes.

The amount of Tax Monies collted as written in the Frenzil Bill will generate the same amount of revenue with a fairer and more reasonable way of collecting Road Tax Money. Hiway use taxes should be collected as to the amount of miles traveled by paying vehicles, collecting fuel taxes will accomplish this. Charging $1000 per year per power vehicles is unfair.

Respecfully,

Ken Hopkins

Ken Hopkins
Baxter, Iowa 50028

ITA
INDEPENDENT
TRUCKERS ASSOCIATION

STATEMENT OF
WILLIAM L. SCHEFFER
NATL. VICE-PRESIDENT
INDEPENDENT TRUCKERS ASSN.
ROUTE ONE,
BREEZEWOOD, PA. 15533

SPEAKING FOR
INDEPENDENT TRUCKERS ASSN.
PENNSYLVANIA I.T.A.
ATLANTIC COAST TRUCKERS ALLIANCE

FEBRUARY 9, 1984

Mr. Chairman, Members of the Committee:

I am here today to express the views of our association and the views of the Atlantic Coast Truckers Association on the Surface Transportation Assistance Act as it pertains to the Independent Trucker and small fleets. I will begin by stating that the Surface Transportation Assistance Act is probably the most ill-timed, unfair, improper and inequitable tax ever levied on any industry in this country.

The imposition of this act comes at a time when the independent trucker has his back against an economic wall, when rates are at their lowest in decades, and when tonnage available to the independent trucker is also at its lowest ebb. It comes at a time when the largest single cost of operation, diesel fuel, has surpassed the cost of gasoline and is skyrocketing daily. It comes at a time when the large freight companies, who have first crack at regulated freight are going down the tubes financially. The independent trucker traditionally gets the overflow or the left-over freight the carriers feel is too cheap to carry profittably. Mr. Chairman, if these large carriers cannot make it under the present system without having to pay back percentages to operate, how are the small fleets and the independent truckers to survive under the proposed new taxes ? They will not!

It is no secret that this act was contrived in the waning moments of the last session by lame-duck congressmen anxious to go home for the Christmas holidays. It is no secret that only a handful of these same Congressmen ever laid eyes on this bill or knew cf the disastorous inclusions of the Surface Transportation Act. It is also no secret that many of these same congressmen feel betrayed by the perpetrators of the act and have taken steps to correct this great injustice thrust upon the industry.

Some of the steps taken by both houses range from modification of the act to total repeal. (S-15, by Senator Jesse Helms). Most of us in the trucking industry were stunned and outraged at the way this bill was ram-rodded through a sparse and uninformed congress. Many members of congress have stated openly that copies of the act simply were not made available to them prior to its dubvious passage. Many were stunned at not only the tax contents but the dispersal of the monies as well. The press too was stunned at what they were told was a "nickel a gallon tax" on the trucking industry that turned out to be anything but. They too, like us, expressed outrage that they were not informed of the true dispersal directives of the Surface Transportation Act. You see, they, like us, were told that this bill was to rebuild the nations highways and bridges. They, like us, were not told that the bill was just a little bit more complicated than that, and that there were amendments attached to this bill that literally obscured the nations highway and bridge system with Christmas tree amendments that ranged from Ferry Boat studies in the Virgin Islands to repaying debts owed by the State of Massechusetts.

The Department of Transportation, and its past leader, Drew Lewis, hardly knowledgable in the field of trucking, has crippled a vital industry to the point of no recovery with what has to be a biased, made to order,railroad bill.

We feel that the Secretary of Transportation, and the Department of Transportation acted irresponsibly, improperly, and maybe criminally in its handling of this act. If this industry is to survive we must have immediate relief from the Surface Transportation Assistance Act and a full investigation of the Department of Transportation.

In the Department of Transportation (Federal Highway Administration) report to Congress entitled Alternatives To Tax On Use Of Heavy Trucks,dated January 1984, they state in Chapter VI that "lowering the revenue contributions on all vehicle classes proves to be detrimental to equity since some already underpay in relation to cost responsibility." We would agree with that assessment, and would elaborate a little on that statement.Certain classes do underpay, and in fact, some classes do not pay. Is the relationship of the rental vehicle lobby that sacred to the Department Of Transportation that they will be allowed to continue paying nothing for their use of the nations highways and bridges? Is that same relationship with the railroads that sacred that they too shall be exempt from paying their fair share?

WEIGHT DISTANCE OPTIONS

There are those outside the industry who favor a weight distance option. Those groups generally are those who traditionally oppose any progress in the trucking industry and and those who have enjoyed their own little tax-free bonanza on the nations highways and bridges for many years.

First we have the nations State Departments of Transportation. This particular segment has literally gone berserk with taxes on trucks at the state level.They have taxed our mileage, our fuel, our earnings, our tractors, our trailers, our parts, (sales taxes) our personal property and literally everything else not nailed down. They charge a fee to enter their states and a fee to leave. They have increased our registration fees to the point of being absurd. Even as we talk here today, 23 states are contemplating new or increased truck taxes. Some states have already enacted retaliatory taxes on existing taxes. Some states even tax the amount of axles on the truck. What I am saying, Mr. Chairman, is that there is little else to tax. The Surface Transportation Assistance Act was a green light to the states to increase their tax burden on an already crippled industry.

Another group here today is the Railway Association. They are exempt from the proposed taxes and already have defrauded the states out of their fair share of taxes. They have been subsidised, granted, exempted and gifted by state and federal governments to the point of being rediculous. They deserve no more mention.

We then have, last but not least, the automobile clubs. They too use the nations highways and bridges, but pay very little for the privilege. I would suggest that taxicabs and rental cars be included in highway use taxes. The American Automobile Association, who really speaks for noone but themselves, will be here expressing shock and outrage that these "behemoths and monsters of the highways" are not paying their fair share. A tired old cliche from a tired old group.

These uninformed groups apparently are not aware that there have been 18 states that previously had and abandoned weight-distance taxes as totally unworkable. How are we to advance by going backwards?

DIESEL DIFFERENTIAL TAX

Probably the only sane, equitable and workable tax is the diesel differential tax. This type of tax places the burden of financial responsibility fairly and equitably upon those who use the nations highways the most. Quite simply, those who run more, pay more. What could be simpler? There can be no reasonable aurgument against this type of assessment. Those vehicles operating on a seasonal basis would not be penalized while not running. This too would solve the foriegn vehicle collection problem. Mexican and Canadian trucks entering the United States would be taxed as they purchase the fuel to operate within the states. This too would eliminate the need for the formulation of yet another government bureaucracy to stifle us with paperwork and regulations that would simply overlap the already overlapping paperwork we now have.

Mr. Chairman, the framework for survival and equity is already in place. The Independent Truckers Association and the Atlantic Coast Truckers Alliance recommend and.endorse H.R. 2124, the "Frenzel Bill."

We can not and will not accept any less. Survival of the independent trucker hinges on this decision. As for being "Revenue Nuetral," that is the D.O.T.'s terminology. Implementation of anything more costly than H.R. 2124 or S.1475 would eventually place a dying industry on the welfare rolls. Each new tax moves the trucking industry closer to subsidization.We support and recommend a five cent a gallon fuel tax increase and abolition of the highway use tax.

Thank you.

Independent Truckers Association

CHARLES BROWN
NEW JERSEY STATE REPRESENTATIVE
507 McCabe Avenue
Bradley Beach, New Jersey, 07720
N.J. (201)-988-0944
Ca. (213)-We-Truck

February 11, 1984

Senate Finance committe,
Washington,D.C.

To all Parties concerned;

The effects of the Surface Transportation Act of 1982 has had and will continue to have devastating effects on the United States Trucking Industry. If something is not done now to correct the terrible mistake that has been made, you may very well be looking at the extinction of the INDEPENDENT TRUCKER.

The trucking industry has made history with its continued bankruptcies of the larger carriers, and those of us who are still trying to hold on cannot afford to purchase a new truck or trailer with the new excise tax that was supposed to expire in October, at which point we could have saved nine or ten thousand dollars on our purchase, but instead our lawmakers have increased it. We at this point, can't even afford new tires because we have to take into consideration the Federal Highway Use Tax of over $1600.00 dollars next year. Which, I might add was also supposed to be a temporary tax. Then, to add salt to our wounds, most of the money does not even go to repair the roads.

I suggest that a long hard look at our nations trucking industry by our lawmakers is necessary, and let's forget about our peers and use a little common sense. If we continue to pass laws like the Surface Transportation Act in the future, Laws that effect every man, woman, or childs finances to the point that it shatters our confidence in the United States Goverment, then we are headed for some real trouble.

Independent Truckers Association

CHARLES BROWN
NEW JERSEY STATE REPRESENTATIVE
507 McCabe Avenue
Bradley Beach, New Jersey, 07720
N.J. (201)-988-0944
Ca. (213)-We-Truck

Page 2

Frankly gentlemen, I think you should all be ashamed of yourselves for even considering the passage of the Surface Transportation Act when none of you knew at the time it was being presented in its entire contents. It sure makes one wonder about some of the other Laws that are being passed through the system every day!

I, for one, can assure you that at election time I will vote neither Democrate or Republican. But, for the ones who can assure me that they will take the time to read and understand each and every Bill that is presented to them, and then to make it public,
so that our opinion can be considered,--Even if it is very close to the Christmas season!!!

Very truly yours,

Charles Brown

CB:sb

WISCONSIN CHAPTER

Paul D. Hoffmeyer, President
ITA-Wisconsin Chapter
Route 2, Box 231
River Falls, WI 54022

February 15, 1984

Congressman Dan Rostenkowski, Chairman
House Committee on Ways and Means
Room 2111
Rayburn House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Rostenkowski:

The Wisconsin Chapter of the Independent Truckers Association would like to be placed on record as opposing the highway use tax and the weight distance tax as a basis for funding the Highway Trust Fund, reaffirming our support of the diesel differential legislation, H.R. 2124.

The diesel differential tax creates a more equitable pay-as-you-go funding principle, raises approximately the same amount of revenue as would the other taxes, is easily administered and provides little opportunity for non-compliance eliminating the need for the states to take on the compliance responsibility as they must in the case of the highway use tax as provided in the Surface Transportation Assistance Act of 1982.

The diesel differential tax would also be more affordable to the trucking industry, most especially the independent trucker as it is paid out in smaller amounts as the trucker works eliminating the extra paperwork and deadlines required by the other taxes which is always appreciated by the man or woman who owns and drives his or her own truck.

Sincerely,

Paul D. Hoffmeyer

Paul D. Hoffmeyer, President
ITA-Wisconsin Chapter

cc: Mike Parkhurst, President
Independent Truckers Association

February 9, 1984

HEARING BEFORE SENATE FINANCE COMMITTEE
WASHINGTON, DC

ON

EFFECTS OF THE SURFACE TRANSPORTATION ASSISTANCE ACT

HEARING SCHEDULE DATE: February 9, 1984 - Washington, DC

Dear Person/Members of Committee:

I, the president of the Arizona Independent Truckers Association, and also an independent trucker since 1940 with 43 years expereince as an owner/operator. I started when one could buy diesel fueld for .05 8/10 cents per gallon, including all state and federal taxes in California and Arizona, and we are still using some of the highways built in the late 30's and early 40's and doing a far better job of carrying 68,000 to 76,800 lbs then, as opposed to what our interstate system is doing today, which is carrying 80,000 lbs. at a cost of 6 million dollars per mile. Many of the bridges and freeway sections are condemned before they are even opened for public use.

In the 1940's we had no federal weight fee use tax. Excise tax came because of World War 2. There was no federal tax on tires, oils and lubricants, parts or accessories.

In the 40's the spped limit was 40 miles per hour and the traffic rolled an average of 45 to 48 miles per hour. We could gross approximate $.50 to $.62 cents per loaded mile and pay 5% for brokerage fee or lease to the carriers holding ICC authority. Today we have a 55 mile speed limit nationwide, with traffic speeds averaging 60 to 80 miles per hour and grossing $.80 to $1.05 per loaded mile and having to pay 25% or more of the gross to lease to the ICC carriers or their broker agents set up in truck stops and terminals all over the United States. Most all major trucking companies have turned to the owner operations because they cannot afford to operate their own equipment with the quality of drivers available through the Teamsters Union.

Example: Last December I was in a Truck Stop Cafe at Needles, California at 2:00 AM. A Consolidated Freightways driver was there. (This driver was also the Union Job Steward representing the drivers problems to C F and Union Management). He called his dispatcher because he had left his truck out on Interstate 40, broken down (as he claimed). His remarks were "I don't know if its out of fuel or if the fuel filter is clogged up". He was then asked if the engine was a Cummins or a Detroit. He didn't know. I asked him if it was an in-line or a V8 engine. He didn't know. He told me he had driven for 12 years (diesel truck driving) but didn't know one engine from another. He also was upset because he was to be in court in Williams, Arizona because he'd gotten a ticket for freewheeling his loaded set of doubles off Ashford grade at 81 miles per hour along with 2 others truckers, and claimed that cars were passing him at the time and they didn't get cited along with him. This is what the unions are sending out as experienced drivers for $13.15 per hour or 34½ cents per mile, plus fringe benefits.

Yet these very same large monopoly trucking companies are expecting owner/operators to pay more for the equipment than they do, because the owner/operator doesn't have the buying power of buying power 7 thousand 102" wide, 28 foot long, high cube, double vans at one time, like Yellow Freight is doing, and still only pay the owner/operator 80¢ to $1.00 per loaded mile and pay the new taxes of $1900.00 yearly Federal Weight Fee Taxes on power units. Most states have switched their fee for license plates and charged to the power unit, and some states only charge for the power unit and nothing for the trailers or maybe $10 to $20 dollars.

The railroad piggieback trailer system only licenses in states like Delaware, Maine, Texas where the trailer license fee costs $10 to $20, leaving the owner/operators stuck with the gross weight license fees or trip permits to pull their trailers from the railroad piggieback terminals to customers or from the customers to piggieback terminals. A lot of these trailers are excessively overloaded becaUse the never go by state scales or inspection points because these state facilities are located outside of the larger city limits on state highways or interstate routes.

The owner/operator has no authority in most cases and has no bargaining power to control the rates for their services and are stuck with the lion's share of operating costs and fines for overloads and safety tickets, when written, and has to take depressed rates for his services. And this is where all the 80 to 100 mile driving is coming from - - trying to meet their payments and having to pay all the new taxes imposed by the so-called 5¢ gas tax bill. The run-a-way high mileage fee of 8-10-12 cents per total mile traveled, loaded and entry, now being passed into law by several states, increased state fuel taxes by 4 to 8 cents per gallon. The doubling of license registration fees in states and trip permits have jumped $50 to $100 dollar each, for 48 to 96 hour permits, since the Federal 5¢ tax went into law last April, 1983.

Why doesn't the railroad have to pay a ruel tax and license plates on the piggieback operation to cover the cost of overpasses and underpasses and safey signals at grade crossing for public safety. They are expecting and taking the right of way and killing thousands of people at their grade crossings. Our laws and tax systems are not being made by responsible Senators and Congressment representing the people who voted them into office expecting them to support the free enterprise system the United States of America was founded on.

Just take a good honest look at this so-called "lame duck session" gas tax bill sold to the public as a 5¢ gas tax and the 55 Christmas Tree Ornaments. They didn't even know what they were voting on because they didn't even read or study the bill. Who did the bill favor? Why should one industry be taxes out of business to support a government subsidiaries industry?

Now, just how in the hell do we pay all the state and the federal taxes when we have to compete with a non-taxed subsidised railroad industry and most all states reduce their property taxes by 50%.

What happens to the state taxes and lice fees to build and repair roads and bridges. When one puts the total taxes together and checks the total number of trucks and cars, the total number of gallons of gas and diesel fuel consumed in the United States per year, it's one hell of a lot of money for the kind of roads that are so rough and unsafe to drive over. I challenge Mrs. Elizabeth Dole to travel by truck in the average fleet truck from coast to coast, then hear her honest opinion of what she thingks the public is getting from their U.S. government in return for the high bankrupting taxes we are paying. I think CBS 60

"60 Minues" did a show a couple of months ago on Africa and how the politicians handled tax money and run the government. We better get our act together or we'll be like the African people.

Per Mile Old Tax		**Per Mile New Tax**
.0200	State Fuel Tax	.0300
---	State Mileage Tax	.0800
.0125	State Gross Receipt Tax	---
.0130	State License Plates	.0320
.0009	State Sales Tax on Fuel	.0016
.0074	State Sales Tax on Equipment	.0132
.0338	**Total State Tax Lic. Per Mile**	**.1568**
.0100	Federal Fuel Tax	.0225
.0022	Fed Wt Fee Tax	.0190
.0145	Fed Excise Tax	.0273
.0129	Int on Finance Fed Tax - 5 yr.	.0245
.0024	Fed Tire Rubber Tax	.0085
.0420	**Total Federal Taxes**	**.1018**
Old Tax Total	**Total Per Mile Traveled**	**New Tax Total**
.0758	**Total State & Federal Taxes Cost**	**.2586**

I based these figures on 5 yr., 500,000 miles, 80,000 lbs. or 2800 man hours per year, as an owner/operator of one truck.

If one can operate 70% loaded miles, it's considered a good ratio of operation. It takes a $1.35 per load mile to average $1.00 per running mile. Now check for yourself what the large carriers are willing to pay owner/operators per load mile and explain how we can pay taxes only amounting to .2586 cents per running mile before operating cost, competiting with a non-taxes railroad piggieback system.

Sincerely,

Karl Weber

Karl Weber
2002 West Cypress Street
Phoenix, AZ 85009

February 6, 1984

Senate Finance Committee

Washington, D.C.

Dear Congressmen and Senators:

The Surface Transportation Assistance Act of 1982, in my opinion, is the worst piece of legislation ever enacted.

I feel that the D.O.T. Truck Tax Study, that the STAA was based upon, is grossly inaccurate and incomplete as it does not take into consideration such factors as weather, design and construction, when referring to deterioration of the nation's highways. The study places the blame solely on trucks and nothing else.

Now about the weather: weather, in all its splendor or consequences, is generally defined as an Act of God, and is a contributing factor, causing road break-up and/or potholes, even on roads with little or no truck traffic allowed on them.

I have been a resident of the Denver, Colorado area since 1970 and, every year, especially November through March, I see with my own eyes and hear with my own ears what the weather can and will do to the roads and highways.

As an example, the winter of '82-83 and '83-84, the City of Denver, Street Maintenance Department knows what impact the weather has on city streets where heavy trucks are prohibited from traveling. These last two winters were, and still are, very costly due to cold weather and snow, causing road break-up and potholes -- so many potholes in fact that the Mayor temporarily established a "Pothole Hotline" after irate motorists rang the Mayor's phone "off the hook" complaining, and some were threatening legal action from hitting these phtholes and suffering mechanical damage to their vehicles, not to mention the number of lost hubcaps.

Ironically, the Mayor blames the weather and hasn't mentioned anything about trucks. In fact, the City had to hire independent truckers with dump trucks, both 10-wheelers and 18-wheelers, to haul the snow away from the City of Denver and Stapleton Airport, which is owned and operated by the City of Denver. Again, we're addressing roadways where 80,000-pound trucks can't and don't travel.

As for the "new" Sales Tax, 12% of the RETAIL price on new trucks, I'll tell you right now, I don't ever intend to purchase new equipment with this tax hanging over my head. You see, it's like this, if I purchase a new truck in Colorado, I would have to pay your 12% Sales Tax, plus another 6% Sales Tax divided between the city, county and state in Colorado, plus 1.1% RTD Tax. That gives me a grand total of 19.1% Sales Tax, plus the hefty Registration Fees. Let's not forget the interest charges, if I choose to get my new truck financed. With my credit rating, I would probably obtain the loan at about a 16% add-on interest per annum rate for four years, or 64% interest at the end of four years. This makes the total sum for my $80,000 tractor, on a four-year loan, come to roughly $164,000 for an $80,000 truck.

If you think for one minute that I'm going to pay this kind of a price because Congress was in a big hurry to get home for Christmas in December 1982 you're dreaming. STAA is "Pork Barrel" for others. Under these conditions, I absolutely cannot and will not purchase new equipment, so I will not be paying your "new" Sales Tax, as per STAA. And as for the "new" Federal Highway Use Tax, that tops out at $1600 to $1900 per year. This is a tax that in no way reflects actual use. I'm taking steps now to make my operation exempt from this ridiculous tax formula that PENALIZES me for owning a truck.

Concerning the Excise Tax on tires, I will continue to use retreds whenever humanly possible. Why should I pay a "luxury tax" on tires, something that is a necessity to operate?

I refuse to be treated as a second class citizen when it comes to the subject of truck taxes, and the Congress giving preferential treatment to the railroad lobby, and using the law to create an advantage of one mode of transportation over another through artificially induced inflation on truckers to drive our costs up and send our customers to the railroads. If the question ever comes up again about staging another "shutdown," I will again be a willing participant. I strongly urge the Congress to adopt HR-2124 or S-1475 with no admendments! This is a very sound solution.

Thank you.

Richard Mahar

P.O. Box 310

Lafayette, Colorado 80026-0310

P.S. D.O.T. options #s 2 through 9 stink!

BEFORE THE

SENATE COMMITTEE ON FINANCE

UNITED STATES SENATE

WASHINGTON, D.C.

COMMENTS ON ALTERNATIVES TO TAX ON THE USE OF HEAVY TRUCKS, S. 1475

Come now the motor carriers listed in Appendix A, attached hereto, and make the following comments on S. 1475, to be included in the record of the hearing on Alternatives to Tax on the Use of Heavy Trucks, held Thursday, February 9, 1984.

The carriers on whose behalf these comments are being filed are primarily small truckers, as can be seen by looking at the revenue figures in Appendix A. The home office of each carrier is also indicated, along with the year it first started in business. These carriers are a fairly representative cross section of small regulated motor carriers in the United States today. These carriers are transporters of a wide variety of general and specified commodities. They operate all types of equipment, and perform specialized service for many different segments of the economy. Each of these carriers is vitally concerned with the impact of the heavy truck use tax.

Highway funding has historically been based on the principle of pay-as-you-go. A vehicle travelling 10,000 miles a year should pay less than a vehicle travelling 100,000 miles a year. Unfortunately, the Surface Transportation Assistance Act of 1982 (STAA) radically changed the principle of highway funding for the trucking industry to pay whether or not you go anywhere or how far you go. A diesel fuel fee such as that proposed in S. 1475 and H.R. 2124 would return highway funding to a pay-as-you-go system, and would raise approximately the same amount of revenue as STAA.

The worst financial year in history for the motor carrier industry was 1982. Its composite operating ratio rose to 98.29 and its income after tax margin fell to one-half of one percent. The 1982 results reflect a trend of deteriorated earnings and financial health which has continued unabated since 1977. The current dismal situation in the trucking industry is worse than the situation of 1960, the previous low point in industry earnings. The 1982 results show a significantly deteriorated industry position. Based on 497 Class I and II carrier submissions to the Interstate Commerce Commission, tonnage in 1982 was off 10.79 percent from 1981, while vehicle miles declined 7.17 percent for the same period. Revenues declined 5.76 percent, and net carrier operating income fell by 55.76 percent. Ordinary income before taxes fell by 64.84 percent. With income taxes taking over 57 percent of these earnings, ordinary income after taxes in 1982 was 75 percent lower than the 1981 earnings. For the year as a whole, 40 percent of the individual carriers had operating ratios of over 100, indicating operating losses. Specifically, in the fourth quarter of 1982, 59 percent of all carriers experienced losses in operating their trucking businesses. This is in addition to the 300 major carriers which have gone out of business altogether, or are in Chapter 11 bankruptcy or have reduced or altered service. In view of these dismal facts, the effect of the increased user taxes in STAA will be disastrous to the industry.

Given the current state of the motor carrier industry, even minor additional expenses may result in sufficient deterioration in operating margins and erosion of profitability to push motor carriers over the brink. One of the carriers participating in these comments, Osborne Truck Line of Birmingham, also is presently attempting reorganization under Chapter 11 of the Bankruptcy Law. Failure to modify STAA will likely force a Chapter 7 liquidation, to the detriment of Osborne, its creditors, and its employees. Other involved carriers will face the same problem.

According to the Joint Committee on Taxation of the U.S. Congress, even with tremendously low earnings, the trucking industry pays income taxes at 47.1 percent, the second highest effective rate of 22 industry groups. In contrast, the railroads received income tax refunds or tax credits in 1981, equivalent to a negative 7.5 percent effective tax rate. The level of federal increase in the various highway taxes dramatically exceeds past changes in these fees. The heavy vehicle use tax for heavy trucks will be $1,600.00 per unit in 1985, rising to $1,900.00 per unit by 1988, up from the current level of $240.00 per unit, an increase of about 700 percent. Combined with other tax changes, most truckers will pay an average of 87 percent more in federal highway taxes, and twin-trailers will pay 132 percent more in 1985.

The exorbitant taxes contained in STAA are based on the highway cost allocation method developed by the Department of Transportation (DOT). The carriers submitting comments herein do not agree with the results of that study. The methodology used by the DOT is erroneously based on the concept that highway damage is due almost exclusively to vehicle weight. This method erroneously ignores accepted factors such as pavement age, weather, chemicals and other environmental factors as major reasons for deterioration of the nation's highways. The method utilized by DOT assigned only seven percent of asphalt pavement rehabilitation and only a remarkable one percent of concrete pavement rebuilding cost to factors other than truck weight. These figures are simply inaccurate. Further, the method utilized resulted in the conclusion that one truck does as much damage as over 9,800 passenger automobiles. It is not believed that any state highway department design standards provide for such an assumption. It is imperative that another study be designed to ensure that statistically and conceptually valid, factually accurate information is available, and that this study be done by a nationally recognized testing and evaluation group completely independent from DOT.

If the methodology utilized by the DOT were correct, it would mean that highways which do not carry truck traffic would last virtually forever and would never need reconstruction or repaving. There are a number of roads which do not carry any appreciable heavy truck traffic, and have never done so since their construction. Experience with these roads shows the fallacy of the DOT's methodology. Truck weight is a factor in highway wear, but it is only one factor, not the sole factor. An entirely new cost allocation method based on the assumption that truck weight is the dominant cost factor in both new construction and reconstruction simply cannot be justified. Unfortunately, DOT is either unwilling or unable to grasp the fallacies contained in its highway cost allocation study. This inability is perhaps aided and abetted by the high level of influence exerted by the large railroads on this administration.

DOT does, however, suggest that its main efforts will focus on evaluating tax options, that either singly or in combination may:

1. Reduce the inequities of the present heavy use tax while retaining equivalent total revenue;
2. Increase payment convenience and flexibility, particularly for small truck operators; and
3. Be administratively effective while encouraging a high degree of compliance.

The result was DOT's report entitled "Alternatives to Tax on Use of Heavy Trucks," which was submitted to the Congress on January 25, 1984. The study did not endorse any of the tax alternatives submitted, but rather, left it to Congress to determine the most equitable approach.

With respect to reducing the inequities of the present heavy truck use tax, it is suggested that it makes no sense to allocate one cent per gallon for mass transit or railroad use, thereby forcing the trucking industry to subsidize a non-highway use. Accordingly, it is suggested that a tax on railroad diesel fuel be imposed that will generate the same amount of revenue that an equivalent reduction will remove from the overburdened shoulders of the trucking industry. In this regard, it should be noted that, in the worst year in its history, the trucking industry paid over 47 percent of its profit to the federal government in taxes, while the railroad industry paid no income tax but actually received subsidies from the federal government during the same period, calendar year 1982, even though it enjoyed very high profits.

In connection with the second numbered item above, it would certainly increase payment convenience and flexibility for all truck operators if the tax were converted to a diesel fuel differential, as suggested by S. 1475 and H.R. 2124. Alternatively, weekly or monthly payments should be permissible, with a reduction in any heavy truck use tax for a period during which the truck is not used on the road.

Thirdly, it is suggested that the diesel fuel tax be collected at the refinery level, so as to simplify its administration. An alternative approach would be for the collection to be made at the wholesale level.

There has been some concern expressed regarding unfair taxation of owners of small diesel powered vehicles, such as passenger automobiles. It would be very simple to allow these persons to claim a tax credit on their federal income tax returns each year. It is estimated that the amount of such a tax credit would only be in the vicinity of $30.00. This is de minimus.

It is strongly suggested that the STAA was passed by Congress in the haste and frenzy which marked the closing days of the lame duck session in 1982, and was rushed through in near record time despite the lack of adequate public hearings and the vigorous opposition of the trucking industry. Elimination of the heavy truck use tax and other taxes mandated by STAA, and replacement by a revenue neutral diesel fuel differential tax, such as that proposed in S. 1475 and H.R. 2124, would appear to be the easiest way of accomplishing revenue production, while simplifying collection matters. This would be fair, however, only if the diesel fuel fees were increased after taking into consideration the rail transportation tax currently borne by trucks.

The current heavy truck use tax is a very unfair tax provision because it is actually an annual federal property tax leveled on each truck regardless of the highway miles travelled. The use of a diesel fuel fee would be more equitable, because it would reduce the excessive tax burden on a specific group of trucks, and would also return federal highway financing policy to the pay-as-you-go principle. In that manner, the increased diesel fuel tax would be imposed only when the vehicle is using the nation's highways to transport freight and produce income. This is much more consistent with federal tax policy, and is inherently more equitable and affordable than the provisions of the heavy truck use tax.

It is respectfully submitted that DOT's conclusion that, "the [STAA] tax does not fully capture the impact of heavy vehicle, high-mileage traffic on highway costs" is incorrect. It is submitted that this tax has been imposed upon the trucking industry in an unfair manner. The railroads should be looked to, and not just the highway engineers, for a true appreciation of who imposed this situation upon the trucking industry. This situation must be changed, and quickly.

In conclusion, the carriers submitting these comments support the position currently taken by the American Trucking Associations, Inc., both as to DOT's report on "Alternatives to Tax on Use of Heavy Trucks," and its support of S. 1475 and H.R. 2124, although they reserve the right to vary from ATA's position should it later change. It is therefore recommended that the heavy truck use tax be repealed, and that it be replaced with a diesel fuel differential tax, such as that proposed by S. 1475 and H.R. 2124. This approach appears to be the most reasonable method for reaching the required revenue goals. It will reduce the inequities of the present heavy truck use tax while retaining equivalent total revenue. The heavy truck use tax is inherently inequitable, as a vehicle which travels 100,000 miles will pay the same tax as a vehicle which travels only 10,000 miles. The diesel fuel tax will increase payment convenience and flexibility, as it will result in a pay-as-you-go formula, rather than a lump sum payment. The weight-distance tax would be an administrative nightmare, and is dismissed out of hand for that reason. The methods proposed by S. 1475 and H.R. 2124 will also be administratively more effective, resulting in a high degree of compliance, as the fuel tax will be collected at the time the diesel is sold, rather than relying upon the owners of the vehicles to comply with a lump sum payment of a large heavy truck use tax, whether or not the vehicle even produces revenue.

Respectfully submitted,

NAMED MOTOR CARRIERS

By

William P. Jackson, Jr.
Attorney for Named
Motor Carriers

OF COUNSEL:

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APPENDIX A

Information Concerning Involved Motor Carriers

North Alabama Transportation, Inc., Ider, AL
Units: 100 (all owner/operators)
Employees Including Owner/Operators: 125
Year Operations Commenced: 1979
1982 Gross Revenue: $6,000,000

Dixie Transport, Inc., Hattiesburg, MS
Units: 50 (all owner/operators)
Employees Including Owner/Operators: 60
Year Operations Commenced: 1979
1982 Gross Revenue: $3,700,000

Port Norris Express Co., Inc., Port Norris, NJ
Units: 40 (20 owner/operators)
Employees Including Owner/Operators: 55
Year Operations Commenced: 1938
1982 Gross Revenue: $2,484,000

C. Harrell, Inc., Elmer, NJ
Units: 17 (no owner/operators)
Employees: 23
Year Operations Commenced: 1966
1982 Gross Revenue: $1,300,000

Fulsang's Motor Service, Inc., Countryside, IL
Units: 26 (all owner/operators)
Employees Including Owner/Operators: 32
Year Operations Commenced: 1897
1982 Gross Revenue: $720,000

H & W, Inc., Opelika, AL
Units: 23 (5 owner/operators)
Employees Including Owner/Operators: 32
Year Operations Commenced: 1972
1982 Gross Revenue: $3,500,000

Hedrick Associates, Inc., Far Hills, NJ
Units: 17 (5 owner/operators)
Employees Including Owner/Operators: 21
Year Operation Commenced: 1970
1982 Gross Revenue: $1,500,000

Waddell Transfer, Inc., Atkins, VA
Units: 12 (all co.)
Employees Including Owner/Operators: 17
Year Operations Commenced: 1932
1982 Gross Revenue: $800,000

Charter Express, Inc., Ravenna, OH
Units: 4 (1 owner/operator)
Employees Including Owner/Operators: 9
Year Operations Commenced: 1970
1982 Gross Revenue: $900,000

Southeast Trucking Company, Ravenna, OH
Units: 9 (4 owner/operators)
Employees Including Owner/Operators: 10
Year Operations Commenced: 1952
1982 Gross Revenue: $545,000

National Trucking Company, Ravenna, OH
Units: 5
Employees Including Owner/Operators: 6
Year Operations Commenced: 1981
1982 Gross Revenue: $96,000

Osborne Truck Line, Inc., Birmingham, AL
Units: 90
Employees Including Owner/Operators: 146
Year Operations Commenced: 1940
1982 Gross Revenue: $6,000,000

Hudson Transportation, Inc., Troy, AL
Units: 32
Employees Including Owner/Operators: 47
Year Operations Commenced: 1973
1982 Gross Revenue: $4,200,000

STATEMENT OF

Richard L. Proulx

Of Dover, New Hampshire

My name is Richard L. Proulx. I am the President of City Concrete Company, Inc. of Dover, New Hampshire and I am currently a member of the Board of Directors of both the National Ready Mixed Concrete Association (NRMCA) and the National Sand and Gravel Association (NSGA). I am, in addition, representing NRMCA today in my capacity as a member of its special ad-hoc committee on the Heavy Vehicle Use Tax.

The National Ready Mixed Concrete Association has for many years strongly supported the federally-aided highway program. This support includes advocating increased fuel taxes to assure adequate funding for the Highway Trust Fund that finances this program. It should come as no surprise, therefore, that the major components of the 1982 Surface Transportation Assistance Act had the ready mixed concrete industry's wholehearted support. The one exception was the dramatic, and in our view, inequitable increase in the Heavy Vehicle Use Tax.

Ready mixed concrete is a basic building material. It is transported and manufactured in uniquely designed vehicles which travel short distances and are loaded less than one-half of the time they are traveling on the roads. Simply stated, the impact of the new Vehicle Use Tax will be to increase the cost of a cubic yard of concrete between 20 cents and 50 cents (for some small companies it will run in excess of one dollar on a product which sells for less than $40) - a cost which will ultimately be paid by the taxpayer and the consumer. The expanded highway program will use a tremendous volume of concrete for the massive job of repairing and finishing the nation's highway transportation system, and therefore, any significant increase in the price of concrete will cause a considerable increase in costs for the highway program.

Our industry has been unusually hard hit by the recent recession. The production of ready mixed concrete is down nearly 25 percent nationwide and in some areas is down over 50 percent. The imposition of this increased tax on our industry's fleets of vehicles may force a number of smaller companies to go out of business, despite the new highway program. The market of many small ready mixed concrete producers, the overwhelming majority of those in the industry, does not include very much highway work. In addition, many highway construction contractors tend to process and manufacture concrete for road construction themselves.

The new Vehicle Use Tax would hit our industry at the worst possible time of the year. The cyclical nature of our business in many parts of the country as a result of winter weather conditions means that many companies would be deprived of needed start-up money because of the new pay-when-you-register use tax. The use tax could deprive some companies of as much as one to two percent of their anticipated gross revenues at the very start of the season. Finally, there are many other STAA taxes which our industry will continue to have to pay including a large excise tax on tires, that further aggravate the burden of the new use tax.

In response to the Surface Transportation Act of 1982, NRMCA conducted a survey of the industry, designed to develop basic information on the number, size and mileage traveled by ready mixed concrete trucks. Quite honestly, we were overwhelmed at the response from over 500 companies, having a fleet of 11,000 concrete truck mixers and representing about 22 percent of the concrete produced in

1982. Attached for the record are the complete results of our survey.

At this point, however, let me highlight figures which we believe will be of interest to you. In 1982, our industry produced 179.5 million cubic yards of concrete. The ready mixed concrete was delivered by a fleet of 60,000 truck mixers which traveled 544 million miles. Thirty percent of the fleet traveled less than 5,000 miles and 60 percent traveled less than 10,000 miles last year.

Over 50 percent of the ready mixed concrete truck fleet have gross vehicle weights of between 55,000 - 65,000 pounds. Due to the single purpose nature of our vehicles, they travel in excess of 50 percent of the time unloaded, and an extremely high percentage of the time partially loaded. The survey indicates that over 52 percent of the trips are made carrying at least 8,000 pounds less than their legal gross vehicle weight and one-fourth of the loads carry 16,000 pounds less than their rated capacity.

From the survey we can calculate that the consumers of ready mixed concrete will pay an additional $35.8 million in 1985 and $39 million by 1988.

Any rational approach to fair allocation of increased taxes must recognize specialty vehicles such as those which are designed for our industry and which travel relatively few miles during the course of a year. During consideration of the 1982 Highway Bill, we strongly urged the Congress to give consideration to increasing the 5,000 mile exemption from these taxes to a total annual mileage of 20,000. At the very least, some system must be devised to recognize mileage as an important factor in determining the tax. Heavy, low-mileage vehicles must not pay the same tax as heavy, high-mileage vehicles.

NRMCA and its sister association, the National Sand and Gravel Association, strongly support passage of S. 1475. Introduced by your colleague Malcolm Wallop, this bill is now cosponsored by 28 members of the Senate. This legislation would substitute a diesel surcharge tax of 5 cents for the new Vehicle Use Tax. We recognize that due to the passage of time since this legislation was first introduced the surcharge may need to be increased by a penny or two to generate the necessary level of revenue for the Highway Trust Fund that would be lost by repeal of the STAA Use Tax. However, the basic concept of a diesel surcharge tax is, we believe, the fairest and most reasonable proposal yet made to replace the inherently inequitable STAA Use Tax.

In addition to providing for a tax that is a function of both weight and mileage traveled, the diesel surcharge proposal would collect revenues on a "pay as you go" basis. This would make the additional tax burden on heavy vehicle industries more easy to absorb. It would be a far more simple device to administer, and compliance, currently a major problem, would be virtually assured. Perhaps most important from a compliance standpoint, the diesel surcharge tax is percieved as being an equitable tax by most of those who must pay it. Frankly, it is hard for us to understand why such a perfect tax proposal has not been fully embraced by the Department of Transportation and IRS.

One of the purported reasons for opposing a simple diesel surcharge tax is that it fails the test of "equity" - whatever that subjective term is supposed to mean. Certainly, by any rational standard, the diesel surcharge tax is more equitable than the STAA Use

Tax if the most important criteria for determining the amount of tax to be paid is highway use. Of all the options given to Congress in the DOT Use Tax report, only the diesel surcharge proposal meets the test of equity (in the opinion of the very diverse heavy vehicle industry) - simplicity, enforceability, and will at the same time raise the necessary revenues (as originally projected in 1982) for the Highway Trust Fund.

Mr. Chairman, we urge your committee to proceed to immediate mark-up of S. 1475 making whatever changes are necessary in the surcharge level to generate income comparable to that projected for the STAA Use Tax in 1982. Our industries remain fervently committed to a strong highway program that is adequately funded by taxing mechanisms that are fair, affordable and non-punitive in nature.

The Association and I appreciate the opportunity to present testimony today and I will be happy to answer any questions which you have. Thank you.

ncjc

COMMENTS OF THE

NATIONAL OIL JOBBERS COUNCIL (NOJC)

before the

U.S. SENATE COMMITTEE ON FINANCE

hearing on

ALTERNATIVES TO THE TAX ON THE USE OF HEAVY TRUCKS

Washington, D.C.

February 9, 1984

PREFACE

The National Oil Jobbers Council is a federation of 42 state and regional trade associations representing thousands of independent small business petroleum marketers. Members include gasoline and diesel fuel wholesalers, commissioned distributors of gasoline, gasoline reseller-retailers and a large number of retail fuel oil dealers. Members also wholesale or retail many other petroleum products, including kerosene, LP gas, aviation fuels and motor oils as well as residual fuel oil. Together our members market approximately 50 percent of the gasoline and 85 percent of the home heating oils sold in America under either their own private brand or the trademark of their supplier.

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Washington, D.C.

February 9, 1984

Chairman Dole & Members of the Committee:

On behalf of the National Oil Jobbers Council (NOJC), I wish to submit these written comments as a part of the record of the Committee's hearing on heavy vehicle use taxes and special motor fuels (diesel) excise taxes.

The NOJC represents some 15,000 independent, small business petroleum products marketing companies. These marketers are deeply concerned about both the tax on use of heavy trucks and the diesel fuel excise tax. NOJC companies own and operate 22,738 heavy vehicles in the distribution of motor fuels and home heating oil. Also, these companies collect and remit approximately 25 percent of the total federal special motor fuels excise tax. Thus, our federated membership is directly affected in two ways by the deliberations of the Finance Committee on amending the Surface Transportation Assistance Act (STAA) of 1982.

NOJC firmly believes that any remedial legislation designed to alter either the heavy vehicle use tax or the current rate of the special motor fuels tax ought to address the following items:

(1) a tax refund procedure as part of any "diesel differential "tax scheme;

(2) a 5-day extension of time for semi-monthly special motor fuels excise tax remittances;

(3) an authorization for dealer "consent agreements";

(4) a "bad debt" write-off procedure for uncollectible excise taxes; and,

(5) an elimination of the words "BY WIRE TRANSFER" in S.T.A.A.'s gasoline excise tax remittance procedure.

The above items could be referred to as "technical corrections" for problems resulting from passage of P.L. 97-424 and for problems anticipated in remedial legislation.

The reasons for NOJC's concerns are severalfold:

(1) "Diesel Differential" Tax Refund Procedure

A "diesel differential" would create a two-tiered tax structure with heavy trucks paying a higher rate of diesel excise tax; light trucks and autos would presumably be eligible for a lower rate of tax.

Most retail motor fuel dispensing locations have only one pump dedicated to diesel fuel. Should IRS, by regulation, mandate that each tax tier be posted at retail, many small business jobbers and dealers would have to buy and install a second pump at each retail location. Also, since heavy truck operators could avoid the higher tax rate by pulling up to a lower-tiered tax pump, station owners and employees would daily be placed in the position of enforcing the tax code at every pump island. This is a major problem which can be avoided by a tax refund procedure.

NOJC would suggest that any remedial legislation specifically direct the IRS to mandate that the higher-tier diesel tax be reflected at all retail pump locations. Those taxpayers eligible to purchase diesel at the lower-tier rate could then be permitted to file for a tax refund on their annual Form 1040. Since the IRS has an adequate audit and enforcement program for tax returns the problem of daily station enforcement disappears.

(2) Extended Diesel Tax Remittance Schedule

The 1982 passage of S.T.A.A. allowed for a 5-day extension for remittance of gasoline taxes. Gasoline taxes are now deposited on the 14th and 29th of each month. However, diesel taxes are still deposited on the old schedule (the 9th and 24th of each month). Authorization of a similar 5-day diesel tax extension would reflect the additional cash flow, accounting and handling costs which small businesses must absorb by increases in the special motor fuels tax rate. By allowing for a 5-day extension on diesel tax deposits the Congress would be reducing net costs and making compliance by small businesses less cumbersome. The options to increase the diesel tax range from 22 percent to 100 percent. The costs of handling these increased sums (i.e., accounting, security, etc.) require the consideration of the Congress.

(3) Authorization for Dealer "Consent Agreements"

At present, all retail dealers of diesel fuel must collect and remit the excise taxes; however, bulk end-user customers may opt to sign a "consent agreement" and have the taxes collected and remitted on their behalf by their supplier. In many instances, small dealers do not have the accounting resources to collect and remit large sums of diesel taxes. NOJC suggests that retail diesel dealers be permitted in the right to sign a "consent agreement" and have their taxes collected and remitted by their supplying company. By creation of this provision Congress would also be reducing IRS paperwork via reducing the large number of special motor fuel tax returns (now some 158,000).

(4) "Bad Debt" Write-off for Uncollectible Taxes

On occasion a retail dealer business failure or bankruptcy results in non-payment of the federal diesel excise tax. At such a time the IRS places a tax lien on the retail location. In those instances where a jobber has leased out the location to the dealer, it cannot be reopened for business until the tax lien is paid by the jobber. Jobbers are usually willing to pay the dealer's tax lien in order to reopen the property; however, the jobber may have no legal mechanism for reimbursement by the dealer. Therefore, NOJC suggests that the jobber (when paying tax liens on behalf of a former retail lessee dealer) be provided with a "bad debt" write-off provision should the "lost" taxes not be reimbursed by the former dealer.

(5) Clarification of the Gasoline Tax Remittance Procedure

The S.T.A.A. provided that gasoline tax deposits be made "by wire transfer." These words, "by wire transfer" are unnecessary. Most federal excise tax deposits are made via a bank teller at federal depository banks. These words necessitate that a taxpayer deposit in one bank only to have the funds wired to a second depository bank on the same day. Most banks charge depositors a fee for this service on a twice-per-month basis. Elimination of the words "by wire transfer" would change neither the traditional procedure nor the current timetable for federal gasoline tax collections. Therefore, NOJC suggests that this "technical" amendment be included in this legislation.

Lastly, NOJC would recommend that the Committee act to retain the use tax exemption for light trucks below the 33,000 pounds GVW. Also, NOJC would not object to use tax alternatives which minimally increase the diesel fuel tax in lieu of scheduled use tax increases on heavy trucks. The lower the diesel fuel tax increase the less incentive for tax avoidance. We do we have grave concerns about the impacts of any diesel tax increase vis a vis demand elasticity; however, of the alternatives presented thus far, the PTCA and NMCAC plans, amended with NOJC's suggestions, seem to provide appropriate models for Congressional action.

We appreciate the opportunity to submit these views to the Committee's attention.

Respectfully submitted,

Michael Scanlon Jr

Michael T. Scanlon, JR

Vice President, Policy & Analysis

National Solid Wastes Management Association

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EUGENE J. WINGERTER
EXECUTIVE DIRECTOR

TESTIMONY

Submitted To

Senate Finance Committee

Hearings On Alternatives to the Highway Use Tax

By

National Solid Wastes Management Association

February 9, 1984

Arleen Shulman
Federal Affairs Manager

- Institute of Waste Technology
  - *Waste Haulers Council*
  - *Sanitary Landfill Council*
  - *Liquid Waste and Sludge Transporters Council*
- Waste Equipment Manufacturers Institute
- Institute of Waste Equipment Distributors
- Institute of Chemical Waste Management
- Institute of Resource Recovery
- International Council of Waste Service Industries

The National Solid Wastes Management Association represents the waste service industry. The industry is composed of approximately 10,000 private firms who operate 62,000 refuse hauling vehicles. We are pleased to be able to submit written testimony to the Senate Finance Committee on the issue of alternatives to the highway use tax.

We are part of the Coalition for Equitable Truck Taxes which supports S.1475, a replacement of the highway use tax with an increased tax on diesel fuel. The pay-as-you-go nature of this tax is an important part of our support of this method of paying road taxes.

However, the present fuel tax is inequitable for refuse collection firms, and if a diesel differential is enacted, the inequity will only get worse. The fuel tax is intended to be a user fee to pay for highway construction and maintenance, yet refuse haulers must pay federal tax on significant amounts of fuel not used for travel, but for loading, compacting and unloading trash, operations that bear no relation to highway-related impacts.

Why Trash Trucks Only Get 3.5 mpg

Most refuse trucks on the road today are what is commonly termed "packer" trucks, which replaced the open-topped dump trucks in the 1950s. The truck body itself has a huge blade which crushes the trash repeatedly during the course of a route. The compaction assures that refuse can be contained in a litter-free, vector resistant, odor-confining closed body that can be used to its maximum efficiency.

The compaction blades are pushed by a hydraulic mechanism called a power take-off (PTO) unit which is powered by accelerating the truck's engine. Use of compactor vehicles instead of the earlier open trucks has not only reduced the environmental exposure of garbage during collection but has greatly reduced the cost of refuse collection.

Not only do trash collection trucks use significant amounts of fuel for non-highway uses, but these trucks also spend a great deal of their routes on private property, for example, on industrial roads owned by their customers and at the disposal facility. Some trucks serving industrial accounts are only on public highways one hour of every working day -- and half of that time, of course, are running completely empty.

NSWMA has conducted tests all over the country with different kinds of trucks, over different kinds of routes, and has determined that the a refuse truck uses an average of 37% of its fuel just to run the PTO. Another 15% is used for travel over non-public roads. We have attached summary graphs indicating the results of those tests.

The Present Tax Rules

Despite such high levels of fuel use for non-highway purposes, refuse truck operators must pay federal fuel tax on all of it.

According to the IRS Code (Section 4041), any fuel used in a highway vehicle (a vehicle registered or required to be registered for road use) fuel must be taxed. There are some exemptions, and business vehicles such as landfill compactors which do not travel on roads at all need not pay tax.

IRS regulations (Section 48, 4041-6) state that tax need not be paid if a truck has a separate motor to operate special equipment, even if that motor draws fuel from the same tank as the propulsion engine. In that case, the taxpayer can make a reasonable determination of the quantity of fuel used in the separate motor, based on operating experience. Use of an auxiliary engine for trash vehicles, however, even with the resulting tax break is very uncommon because of the enormous cost of the extra equipment.

Legislative Changes Needed

We believe the same principle, making a reasonable determination of fuel used for special equipment, ought to be available for refuse trucks without separate engines to operate special equipment. The tax rules were written about 15 years ago when compactor vehicles were not in universal use as they are today. Until Congress raised the fuel tax rate in April 1983, changes in the regulations were not really worth pursuing at the federal level. But at 9¢/gallon, the amount of tax a refuse truck pays for non-transportation purposes becomes much more significant, and should Congress increase the diesel tax, would become disproportionately high.

We urge Congress to provide a legislative solution by adopting a standard percentage fuel tax rebate for refuse compacting vehicles. We can provide the documentation for at least a 35 percent rebate. A 35 percent rebate would be fair and simple to administer even though some classes of vehicles (notably the common rear-loading packer) might justifiably claim a higher percentage of exempt usage.

A standard percentage rebate is in the best interests of both the industry and the government, as it is easy and economical to administer as opposed to requiring individual documentation on a vehicle basis. We have found metering of refuse vehicles to be expensive, and even under highly controlled test conditions, not totally reliable, given the rough terrain of landfills which the trucks must negotiate. NSWMA's tests were run using meters and using a comparison method with a sealed fuel tank. (A vehicle's fuel use on routes with all normal loading and compacting was compared to fuel use for traveling the route only.) Any effort to use meters for purposes of permanent individual recordkeeping would significantly increase disposal costs for the consumer and the hauler.

Revenue Estimates and Other Considerations

There are about 100,000 refuse vehicles on the road, but not all of them are packer trucks and a significant number are municipal trucks which pay no fuel taxes. We estimate there are about 40,000 trucks which should qualify for the fuel tax rebate. Average mileage is about 3.5 miles per gallon, far below the average DOT estimates for vehicles of the same size. At the current fuel tax of 9¢ per gallon, these operators pay about $21 million just in federal fuel tax every year. A 35 percent fuel tax rebate would yield a revenue loss of about $7 million annually.

About 10 states have state fuel tax rebates for use of fuel for other than propulsion, many of which have adopted a standardized percentage rebate for the refuse industry.

To the best of our knowledge, few other types of vehicles use such significant amounts of fuel for non-propulsion.

Conclusions

The willingness of people to be taxed depends a great extent on the equity of that tax. Refuse haulers use so much of their fuel for purposes that cause no damage to the roads, that they are paying considerably more than a strict user fee would dictate.

In addition, strict federal weight limits, particularly the bridge formula, prevent many refuse vehicles from using interstate highways, to which so much of the Highway Trust Fund is dedicated. Thus, our industry not only pays tax for non-transportation purposes, they also pay tax to fund roads they can't use!

We urge this Committee to give our unique problem serious consideration when it acts to improve highway taxes for the trucking industry this year.

We would be glad to provide further documentation and any other information for the record upon request.

COMMENTS OF PHILIP P. FRIEDLANDER, JR.
EXECUTIVE VICE PRESIDENT
NATIONAL TIRE DEALERS AND RETREADERS ASSOCIATION
Submitted to
The Committee on Finance
United States Senate

My name is Philip P. Friedlander, Jr., Executive Vice President of the National Tire Dealers and Retreaders Association (NTDRA), a national nonprofit trade association representing nearly 5,000 independent tire dealers and retreaders located in 50 states who are engaged in the wholesale and retail distribution of automobile and truck tires, the retreading of tires, and the sale of related products and services.

Mr. Chairman, I appreciate this opportunity to discuss the January 1984 Department of Transportation study submitted to Congress on alternative tax options for heavy trucks which operate on the nation's highways. That report provided an in-depth analysis of a wide range of tax alternatives to the increases in the heavy truck user fees. It did so based on the following objectives: to maintain the amount of revenues, in total and by class of vehicle, as enacted in the Surface Transportation Assistance Act of 1982 (STAA), to make payment easier and more equitable within classes of users based on distance travelled, and to simplify administrative and enforcement requirements.

The STAA provided an infusion of funds to rehabilitate our highway system that was in need of additional work and it substantially improved the fairness of the tax structure among the major classes of users of the highways. While accepting the merits of the substantial increase in the funding and program levels provided by the STAA, the DOT study sought to improve the ease of payment and equity within classes of users by shifting from lump-sum to use-based taxes to the extent feasible while maintaining the maximum level of simplicity in administrative and enforcement requirements.

The DOT study concluded that the current fees do not fully measure the two principal variables: weight and distance. To measure them directly and more equitably would require a comprehensive change-- specifically a weight-distance tax. The compelling advantage of such a tax is that it addresses directly those characteristics that should be taxed as a measure of costs imposed upon the highways by users. It is an option that addresses precisely the trucking industry's major criticism of the heavy vehicle use tax: that is its insensitivity to mileage variation. As the study further concludes, a weight-distance tax could replace the less desirable surrogate taxes (e.g., retail excise, heavy vehicle use, and tire taxes).

We endorse DOT efforts and urge Congress to examine the conclusions of a study on the merits of a weight-distance tax.

We would like to put forward the following observations:

1) A weight-distance tax substituted for the 3 excise taxes might provide improvement in equity among vehicle classses and within vehicle classes.

2) Deregulation of transportation industries is leading to a climate of increasing competition, not only within transportation modes but between the nation's major transportation capabilities. In order for all transportation resources to develop and be used efficiently, tax programs that support them must be designed to assign cost occasioned by users based on simple, direct measures of that use.

3) Current efforts of states and industry to achieve more uniform motor carrier certification and taxation could help provide the information necessary to efficiently and equitably administer a tax program based directly on use.

4) Although the Federal government has no first-hand experience with weight-distance taxes, based on the experience of states that do impose such taxes administrative costs to the Federal government could be lower. Oregon, Ohio, and New York levy a form of a weight-distance tax.

5) A Federal weight-distance tax imposed uniformly could eliminate problems relating to reciprocity between states having differing versions of a weight-distance tax.

6) As the American Automobile Association contends, any taxing mechanism relying on fuel consumption as a major element in compensating for highway responsibility becomes imprecise and inequitable when attempting to recover cost responsibility from a vehicle population with widely divergent weights. A Federal highway cost responsibility study asserted that a combination vehicle over 75,000 pounds had a per-mile cost responsibility about 16 times that of a passenger car yet consumes only 3 to 4 times more fuel. Therefore, this vehicle would have to pay more than 30 cents per gallon fuel tax to meet its determined cost responsibility through fuel taxes alone.

7) DOT proposes that the adoption of a Federal weight-distance tax would allow for the elimination of the burdensome truck tire tax. While literally tens of thousands of tire store outlets have millions

of dollars tied up in inventories of multiple use tires (light truck, heavy truck, off-the-road vehicles, etc.), the monies collected represent the smallest yield of the revenue sources. Money tied up in inventory taxes cuts into the profit picture of these small business tire retail operations, many of whom are trying to survive in what have been serious economic conditions. We would hope that a repeal of this tax on the Federal level would not be taken as an invitation by state governments to pick up the tax on a local level.

8) The truck tire tax is not equitable as tire treadwear is not necessarily a true measure of highway use. Construction activity, for example, could cause tire wear greater than over the road use.

9) With the tremendous increase in the tax on heavy truck tires effective January 1, 1984 we are concerned that a safety problem could develop. Because, for example, the tax on a 125 pound truck tire has increased from $12.19 to $28.00, we are concerned that truckers may consider or begin to either undersize the tires they use on their vehicles or run the tires beyond the point in which they are considered legally safe.

DOT contends that there appear to be no insurmountable reasons why a simple weight-distance tax could be imposed on the national level, replacing the retail excise, heavy vehicle use, and tire taxes. A weight-distance tax would require only that the truck operator know the registered gross vehicle weight of the truck and the total miles driven during the taxable period.

Because the Federal government has no first-hand experiences with weight-distance taxes, DOT urges further analysis prior to any congressional action. DOT has suggested various areas which should be explored: administration of the tax must not be overly costly or burdensome and adequate compliance would require more uniform vehicle data, the present lack of accurate mileage records maintained by the highway user and made available to the Internal Revenue Service is a major difficulty to overcome, and auditing practices for enforcement purposes could pose problems.

A recently released American Association of State Highway and Transportation Officials study recommends the enactment in 1986 of a weight-distance tax, retaining the present use tax until that time.

The DOT study on alternative tax options for heavy trucks, mandated by the Surface Transportation Assistance Act of 1982, suggested that more information be collected and further analysis and planning be devoted to the subject of a weight-distance tax. Should the analysis show that such a scheme is practical, it could replace the burdensome and less desirable retail excise, heavy vehicle use, and tire taxes.

NTDRA supports the DOT in its effort to arrive at the most equitable tax policy possible. We urge Congress to afford the study a favorable hearing. If planned and implemented effectively, the DOT proposed tax structure could reduce administrative costs for the trucking industry and related industries while providing governmental authorities a fair and effective taxing scheme.

National Star Route
Mail Contractors' Association
324 East Capitol Street, Washington, D.C. 20003
Telephone (202) 543-1661

February 13, 1984

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The Honorable Bob Dole
Chairman, Senate Finance Committee
United States Senate
Room S.D. 215 Dirksen Building
Washington, D.C. 20510

Dear Mr. Chairman:

The National Star Route Mail Contractors Association represents some 13,000 small businessmen and women who contract with the U. S. Postal Service for the over the highway transportation of the mail. The Association has branches in every state of the union and its membership consists of box delivery contractors who serve rural America, medium size city to city contractors and contractors who are providing transcontinental service with fleets of tractors and trailers. We appreciate the opportunity to submit this statement for the record in support of S-1475.

The Association has long held that the "use" tax contained in the Surface Transportation Assistance Act of 1982 was a misnomer at the time of its inception. It is well recognized now that this use tax is actually a property tax since the same fees are required for heavy duty vehicles irrespective of whether they travel 100,000 miles over the highway or 20,000 miles.

We feel that the provisions of S-1475 corrects the above inequity and provides for a true use tax since it will be based on diesel fuel usage. Since there is existing mechanisms in place for collecting federal taxes on gas and diesel fuel, it would appear to us that a revenue neutral tax increase in diesel fuel as a substitute for the existing use tax, would also make collections easier.

Again, Mr. Chairman, the Association thanks you for the opportunity to present our testimony in support of S-1475.

Thank you.

Sincerely,

John V. "SKIP" Maraney
Executive Director

jvm/cw

VICTOR ATIYEH
GOVERNOR

Department of Transportation

TRANSPORTATION BUILDING, SALEM, OREGON 97310

February 23, 1984

IN REPLY REFER TO
FILE NO LEG 7-3

The Honorable Robert J. Dole, Chairman
Senate Committee on Finance
141 Senate Hart Office Building
Washington, DC 20510

Several important federal highway issues may be considered by your Committee this session of Congress. I would like to bring this Department's views and recommendations to the attention of the Committee and have the attached statement entered into the appropriate record.

Thank you for your consideration of these items.

Fred D. Miller
Director

dn

STATEMENT OF OREGON DEPARTMENT OF TRANSPORTATION - FEBRUARY 23, 1984

Passage of the 1982 Surface Transportation Assistance Act enabled significant progress in helping meet this nation's highway and transit transportation needs. The Senate Finance Committee's leadership in passage of the fuel and highway user tax increases was the critical factor in assuring the success of the new Act. You are to be congratulated for this fine effort.

The new Act is not without its controversies and I would like to not only express my concerns but also make recommendations on several of the items which are within the jurisdiction of your committee.

Heavy Vehicle Use Tax

The Heavy Vehicle Use Tax schedule was to a large degree derived from results of extensive studies of relative vehicle class cost allocations. The principle being, the users of the highway system should pay their fair share of the costs to construct and maintain that system. The American Association of State Highway and Transportation Officials (AASHTO) strongly endorses such an approach, as do many other states besides Oregon. Concessions were made to lessen the burden of the tax by making some reduction in maximum amounts, phasing in the effective dates, and providing exceptions for smaller vehicle fleets and vehicles traveling relatively few miles on public highways.

The controversy continues as to alternatives to this heavy vehicle use tax. As you know, these alternatives range from no tax at all, to various combinations of diesel fuel differentials and reduced use taxes, to weight-distance taxes in lieu of all user taxes other than fuels. In most proposals one common foundation appears to be well accepted; any proposal should be revenue neutral (in assuring no decrease in projected revenues going into the Highway Trust Fund for highway purposes), should maintain or enhance the equity of highway taxes among highway user classes, and should be administratively feasible or reasonable.

A recent AASHTO study has been completed, as well as a USDOT study, which embraces these guidelines in the search for possible alternatives to the heavy vehicle use fee. I believe these principles must be adhered to in any deliberations concerning alternatives if we are to retain integrity and fairness of our current highway programs.

I know you are aware of the AASHTO and USDOT studies, and I will cite some statements which I believe should be kept before your Committee during its consideration of possible alternatives.

AASHTO Study Steering Committee Statements

> The flat diesel differential reduces equity among vehicle classes more than any other alternative.
>
> The flat diesel differential creates the greatest incentive for evasion of taxes by use of heating oil and other means of avoiding the fuel tax.
>
> The weight-distance tax provides more equity among and within vehicle classes than any other alternative considered.
>
> A federal weight-distance tax could be considered as a replacement for the heavy vehicle use fee and all other federal highway user charges except fuel taxes.
>
> If considered, a federal weight-distance tax should be designed to yield at least equal revenues for highway purposes and to provide equity among users.
>
> If considered, a federal weight-distance tax should be administered by state governments with federal reimbursement for costs involved.

I support these statements and wish to point out that Oregon has for decades administered a state weight-mile tax similar to that suggested in the report. Our experience has shown that the cost to administer such a tax is

7% to 8% of gross revenues collected, recordkeeping is not complex or unreasonable, and compliance among operators is relatively high. I believe application at a national level could be accomplished at substantially lower administrative costs and an even lower evasion rate. Our preference would be to see this alternative to the heavy vehicle use tax implemented as soon as practical to replace all federal highway truck user charges except fuel taxes. Replacing the excise tax on trucks and trailers should result in substantial improvement to the truck manufacturing economy.

Highway Trust Fund

The 1982 Act included the concept of minimum apportionments to states equal to at least 85% of their Highway Trust Fund contributions. Studies now indicate the impact of these apportionments on the trust fund may have been inadequately assessed, resulting in an outflow of funds greater than projected revenues under current tax rates for highway purposes. A correction of this oversight will be required in the next few years if current estimates are correct. Also, alternatives to the heavy vehicle use fee present complications to this as one-ninth of all fuel revenues go to the Mass Transit Account. A diesel fuel differential alternative would surely be a windfall to this account and would run counter to the user equity concept if proper adjustments were not made.

It is my hope that the subcommittee will make timely adjustments to the highway user taxes to assure revenues adequate to fully fund authorized programs, retain and enhance equity and fairness of taxes to system users, and consider a federal weight-distance tax in lieu of all highway user fees except fuels, and eliminate the gasohol tax exemption as soon as practical, perhaps with an effective date of July 1, 1986. This is an effective approach in maintaining the financial integrity of the Highway Trust Fund through tax readjustments, and improvements in equity among user classes.

Uniform State Truck Taxation And Registration

For your record, I want you to know that we have expressed our views on this issue to the House and Senate Public Works Committees and their Transportation Subcommittee leadership. Oregon strongly supports the concept of uniformity in truck taxation and registration processes among states. FHWA, the American Association of Motor Vehicle Administrators and other groups are currently developing additional details for possible implementation of this concept, and the AASHTO report previously cited supports the idea of attaining uniformity in procedures.

Specifically, the AASHTO report recommends establishing a National Motor Carrier Tax Service Bureau to provide data collection service, administration of multi-state agreements and other related agreements and audits. I believe this would be a great service in enabling state truck taxation and regulation processes to be compatible with one another. Also, it would provide an ideal mechanism to help implement any possible federal weight-distance tax as the records and documentation would be compatible among states, and the audit trails would be comprehensive and complete.

I have noticed in several instances concerning this issue that some proposals place a limit on a state's prerogative to raise certain taxes, and would prohibit a third-structure tax such as a weight-distance tax at the state level. I strongly oppose these efforts to preempt a state's ability to impose taxes as it finds necessary to meet its particular transportation demands.

Thank you for considering Oregon's position on these important issues. I believe your Committee has done an excellent job in addressing the needs of this nation in the past, and I look forward to your continued success in the year ahead.

February 5, 1984

The Hon. Robert Dole
United States Senate
Washington, D. C. 20002

Dear Sir: Re: Highway User Tax

Please consider the impact on the Small Trucking Companies who are operating some tractors on a part-time basis due to the low rates caused by deregulation and higher cost of equipment. Also, consider letting the User pay all the cost (through diesel fuel).

Please consider repealing the large increase in User Tax, or amend it, thereby letting the small - or part-time truckers - continue to operate. The tax, as it now stands, is neither just nor fair.

I will address one question to you, if I may:

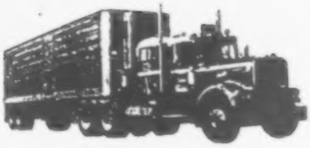
Does Small Business mean anything of value to USA's AMERICA?

Very truly yours,

Ben H. Wolfe Jr

Ben H. Wolfe, Jr.
P.O.Box 193
Monroe, NC 28100

Copy to: Senate Finance Committee



T. G. Stegall TRUCKING CO

8100 E. INDEPENDENCE BLVD. & BARSTON RD. · P. O. BOX 1286 · MATTHEWS, N. C. 28105 · PHONE 704/536-1122

February 4, 1984

Senator Robert Dole
Senate Finance Committee
Hearing on Highway Use Tax
Washington, DC 20002

Dear Senator Helms,

First of all, I would like to thank each of you for taking the time to hear me. I did not come out of sudden impulse. The reason I have come however, is to voice my opinion concerning the increase in the Highway Use Tax. If I may, let start off by making this point. All of a sudden, with no opportunity to repeal, you find that gas for your automobile has increased to $15.00 a gallon. Suddenly, your budget for the week has been undermined, but look at the impact of what it will have at the end of the year. All of the plans and needs to maintain your essence have unexpectedly been destroyed. I guess you could say that this is like demanding that the Federal Deficit be balanced within six months. For us, there is no way we can absorb the increase that is proposed in Public Law 97-424.

But, by the same token, if a large chemical plant is desposing of waste through a river or in the air by way of smoke, they should be required to rectify the situation. In the case of the Trucking Industry, I think that because of the damage subsequently caused by heavy rigs we should be the major contributor to the maintainence of our highways.

I do beleive that a legitimate complaint should be followed by a logical proposal. To me, just because a vehicle is licensed for an arbitrary amount of weight, it should not be subjected to tax on the basis of weight. I think that the basis for determining the amount of tax should be computed by the amount of road miles traveled rather than on weight. A vehicle that uses fuel will definitely use roads but a vehicle that is licensed for 80,000 pounds may not necessarily use roads.

We have several vehciles that are licensed for 80,000 pounds, but due to their age, we do not run them unless absolutely necessary. Last year the average miles for each of these older tractors was 20,000 miles. If we would have had to pay the proposed tax on these vehicles we would have been better off to not run them.

There are numerous theories and alternatives on how to resolve this huge tax. The one I propose is fair. We at T. G. Stegall Trucking Company feel that the tax should be addressed accordingly at the pump.

I know of a large number of carriers, be them private or for-hire, that do not accumulate any more than 10,000-15,000 miles per year. I know of an even larger number of carriers, on the other hand, that generally total over 200,000 miles per year. Now, it just does not seem fair to tax the less volatile operator the same as the one who travels more miles. To me anyone who would support a flat rate alternative probably advocates such issues as the flat rate insurance program or a flat rate income tax. Can you imagine a society where the owner of a conservative family automobile pays the same price for insurance coverage as the owner of an expensive high-performance car. Or the $12,000 a year household being taxed at the same rate as that of a $100,000 a year household. This is not fair either.

While I do propose a "pay as you go" method of tax, we certainly would not want to tax all vehicles at the same rate; only the ones that are designated as heavy abuse vehicles. In this way, each vehicle that buys fuel has the greatest potential for damaging our nation's highways. The large operator with more miles will pay their fair share as well as the smaller operator. Presently, there is a concession in tax for non-highway fuel burned and I would hope that this aspect remain the same.

By virtue of the ultimate reason for engaging in or conducting a business being to reap a reasonable profit, costs of operation simply determine what compensation a business requires. This "right up front" yearly tax will have a very traumatic impact upon our company's cashflow and possible destruction.

Our small company has been very productive over the years. Although we have seen, like other concerns, our tough times in the recent past. Last year, for the first time in three years, we finally stepped back through the threshold of profitability. We are desperately faced with obsolete equipment that need to be replaced. We are fortunately blessed with employees, war veterans, handicapped and minorities who deserve increases in salary. These and many other issues are striving for priority in our business. But with the huge increase in the highway use tax, these issues cannot be addressed in time.

Again, I propose a tax on fuel, at the pump, to satisfy the perpetual need for road and bridge maintainence.

I beg of you and your influence. Let our Trucking Industry breathe in the aforesaid proposal and continue to be dedicated to the transportation needs of all Americans.

Thank you.

Respectfully submitted,

T. Gene Stegall, Jr.
Vice-President
T. G. Stegall Trucking Co., Inc.

cc: American Trucking Association
North Carolina Motor Carriers Association

February 5, 1984

The Hon. Robert Dole
United States Senate
Washington, D. C. 20002

Dear Sir: Re: Highway User Tax

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